

Government is set for £2,000m steel rescue

A £2,000m rescue package to keep the bankrupt British Steel Corporation going was foreshadowed by Sir Keith Joseph in the Commons yesterday. The corporation's financial crisis seems likely to produce more plant closures and redundancies. Much depends on the strategy of Mr Ian MacGregor, who takes over as chairman of British Steel next week.

Wider job losses in prospect

By Peter Hill
Industrial Editor

The Government is poised to approve a £2,000m rescue package for the bankrupt British Steel Corporation.

The magnitude of the state corporation's financial crisis came as a shock to MPs when disclosed by Sir Keith Joseph, Secretary of State for Industry, in the Commons yesterday.

Sir Keith urged British Steel's board to speed the corrective action already set in train. But the parlous state of BSC's finances suggests that Mr Ian MacGregor, the new chairman, will have to implement more closures and redundancies beyond those already announced.

On present estimates the corporation believes it will require about £400m more of taxpayers' money this year beyond the £450m already allocated. The additional sum is "roughly equivalent to the yield of a 1% increase in the standard rate of income tax."

Sir Keith's statement was described by Mr Edward Dunn, chairman of the Tary 1922 Committee, as the gravest statement on industrial matters that he had heard in the House. It had fateful economic and social implications, he said.

Mr Silkin, Opposition spokesman on industry, placed blame for BSC's problems squarely on the shoulders of Government.

Sir Keith has accepted that corporation will find it impossible to meet its break-even target for the current financial year but he emphasised at a press conference later that it remained the objective to reject suggestions that Government's readiness to finance additional funds "led to an U-turn in industrial policy."

In the last financial year British Steel recorded an estimated loss of £450m. Its losses were exacerbated by a three-month-long strike at the beginning of the year. Extraordinary items covering sure and redundancy costs piled with a write-down of interest bearing fixed assets in amount to a further £30m. The write-off of assets was shadowed in 1978 and will be used by the Government as a reason for the introduction of a U-turn in the next financial session.

Officially, the Government emphasized that the capital structure would not take effect until British Steel turned itself to profitability.

External financing limit the current financial year £450m, so much with a range of remedial measures to be implemented by the corporation internally, were cited to ensure that the break-even target was met.

Keith explained that this month Sir Charles, who hands over to Mr MacGregor as chairman at the end of next week, informed him that an additional

MPs shocked
Parliamentary report
Waiting for the worst
Leading article

cash requirement of about £400m would be required.

The corporation suggested further measures to staunch the flow but the Government rejected them. This additional sum, which may well turn out to be larger, will await a to-date assessment from the new chairman of the corporation's trading position.

The Government was not bad yet taken with sufficient satisfaction that the corporation speed and determination all the action open to it to reduce its cash requirement in 1980-81, Sir Keith said.

Until Mr MacGregor submitted his proposals and the Government was satisfied that British Steel was taking the necessary measures, it was not prepared to reconsider the level of the external financing limit.

Should the Government decide to advance additional funds, any money required would require a winter supplementary estimate and, if needed, before then, would be provided by rapid advance from the contingencies fund, Sir Keith added.

The industry Secretary said at the press conference that although the introduction of amending legislation to allow the liquidation of state industry was possible, "it was not an option which I have seriously considered and it would be unprecedented."

He emphasised that the objective of achieving a financial break-even remained unchanged. "It is delayed. I have to accept that it is unlikely to be achieved this financial year but I shall be expecting Mr MacGregor to break even as soon after this financial year as possible."

Holding operation: Suggestions of a government U-turn to bail out British Steel found ministers extremely touchy last night. (writes Our Political Editor).

They preferred to see Sir Keith's statement as a holding operation; to the extent that it mentioned how the Government might arrange the money it was an attempt to restore confidence.

However, from the delicacy of comment and the great secrecy that had surrounded the past three weeks of discussions, it seemed likely that the Government had been aware of the looming disaster at the time it decided to appoint Mr MacGregor.

The belief that Mr MacGregor will either make drastic new closures or sets of cuts in plant or staff requirement among Labour MPs, Mr James Callaghan, leader of the Opposition, believes it possible that both the Ilamewen and Port Talbot plants will close.

A wasteland in South Wales was the grim prediction heard in quarters close to Mr Callaghan.

Vatican says sick need not always be kept alive

From Peter Nichols
Rome, June 26

The Vatican today issued a statement on euthanasia which reaffirmed its condemnation of the subject but said the life support systems of dying hospital patients could be suspended in certain circumstances.

The statement came from the Sacred Congregation for the Doctrine of the Faith and had the Pope's personal approval. It came after a number of requests from episcopal conferences throughout the Roman Catholic world on the prior approach to this delicate issue.

Pointing out that euthanasia in ancient times meant "an easy death without suffering", it said this original meaning now meant "some intervention of medicine whereby the sufferings of sickness or of the final agony are reduced, sometimes also with the danger of suppressing life prematurely".

It went on: "Ultimately, the word euthanasia is used in a more particular sense of 'mercy killing', for the purpose of putting an end to extreme suffering, of saving abnormal babies, the mentally ill, or the incurably sick from the prolongation, perhaps for many years, of a miserable life, which could impose too heavy a burden on their families or on society."

Reference to the more familiar Catholic thinking on the subject came early in the statement. "It is necessary to state firmly once more that nothing can be done in any way to permit the killing of an innocent human being, whether a foetus or an embryo, an infant or an adult, an old person, or one suffering from an incurable disease, or a person who is dying."

"Furthermore, no one is permitted to ask for this act of killing, either for himself or herself or for another person entrusted to his or her care, nor can he or she consent to it, either explicitly or implicitly. Nor can any authority legitimately recommend or permit such an action. For it is a question of the violation of the divine law, and an offence against the dignity of the human person, a crime against life, and an attack on humanity."

As the statement pursued the subject more deeply, it moved ahead from the reiteration of past condemnations. "If there are no other sufficient elements, it is permitted, with the patient's consent, to have recourse to the means provided by the most advanced medical techniques, even if these means are still at the experimental stage and not without a certain risk."

Continued on page 8, col. 2

The Government's stand on

Continued on page 8, col. 2

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Roman coins not to go to the Crown

A find of 7,800 Roman coins unearthed in a Lincolnshire farm by a man with a metal detector, belongs to the landowner, not the Crown. Mr Peter Dillon, ruled in the High Court yesterday.

He said that the Crown's "crown right" to claim a seizure, is limited to silver and gold and silver objects.

The coins, minted between 260 and 280 when the Empire was suffering from inflation, are of low silver content and, therefore, not silver coins, he said.

He declared they are not the property of the Crown, as had been claimed. The coins, worth between £15,000 and £20,000, have been held by the British Museum pending the ruling.

They will now have to be handed over to the family farm company of G. E. Overton Farms Ltd, on whose land they were found at Cley, near Lincoln, in 1973.

A coroner's inquest ruled they were treasure trove, giving the Crown first rights.

The High Court case seeking a definitive legal ruling was brought by the Attorney General, for the Duchy of Lancaster on behalf of the Crown.

Law Report, page 6

3,000 to lose jobs as recession bites

Print union admits temporary defeat

The National Graphical Association has admitted temporary defeat in the seven-year dispute at T. Bailey Portman, publishers of the Nottingham Evening Post.

But Mr Anthony Dibbins, the association's general secretary, said the union in time would re-group and regain recognition at the company.

Page 2

French neutron bomb

President Giscard d'Estaing revealed at a press conference that France had carried out a successful trial on a neutron bomb. This new weapon could be ready for use by 1985. He also said that a decision would be taken by the end of this year on whether France will build a mobile nuclear missile launcher.

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Law Report, page 6

Bill on bail pleas

The Law Society has drawn up a private member's Bill to try to induce the Government to change the system under which many prisoners on remand can not obtain legal aid to enable them to apply for bail.

Page 6

Classification: Personal 30-32; Appointments 27, 30; Property 4-27-29

Diplomatic link cut

Zimbabwe is to cut diplomatic ties with South Africa, the mainstay of economic links. Mr Mugabe told the Salisbury Parliament. The Prime Minister also announced that he described as organised bands of Zimbabwean troops still roaming the country and openly flouting the Government's authority.

Page 8

Labour public school plan modified

A modified version of Labour Party

proposals to charge independent school

pupils the full cost of their university

education has been included in the final

report of the party's education sub-

committee, despite the opposition of a

majority of the committee.

Page 4

Law change urged

The concept of "impossibility" in cases of attempted crime should be abolished. The Law Commission has recommended.

Conspiracy to commit a crime should be an offence although the crime, unknown to the conspirators, could not have been committed. Such reform would help to fill the gap if the suspended person law was repealed.

Page 6

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Page 4

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Eritreans' gas claim

Eritrean guerrillas claim that a quantity of lethal nerve gas, recently shipped from the Soviet Union, has been moved to areas of northern Eritrea for use by the Eritreans against the rebels entrenched there.

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HOME NEWS

MPs are shaken by British Steel's warning of liquidation unless Government finds another £400m

By Hugh Noyes
Parliamentary Correspondent
Westminster

The announcement in the Commons yesterday by Sir Keith Joseph, Secretary of State for Industry, that the British Steel Corporation had informed him that it would be forced into liquidation unless the Government could provide it with £400m on top of the external financing limit of £50m already agreed for the present financial year brought gasps of shock and astonishment from MPs on both sides of the House.

Mr Edward du Cann, Conservative MP for Taunton, who is chairman of the influential Tory 1922 Committee, told Sir Keith that it was the gravest statement on industrial matters he had ever heard in the Commons and that it had brought economic and family implications.

From the Labour benches Mr Leo Abse, MP for Pontypool, who later asked unsuccessfully for an emergency debate, spoke of the social tensions that the secretary of state's statement would create in the steel areas of Wales, with its implications of further savage cuts and redundancies.

The farcical messianic course Sir Keith was following was leading the people of Wales to believe that the Government

had taken leave of its senses, he said.

Mr John Silkin, opposition spokesman on industry, placed the blame for the state of the steel industry squarely on the shoulders of the Government. If the necessary steps had been taken last September there would have been no steel strike and the present situation would not have arisen.

The statement would cause great unhappiness and uncertainty in those areas of Scotland, Wales and the North that were already suffering the worst unemployment figures since the war he added.

The gravity of the new crisis for steel appeared to have caused little surprise to the secretary of state who was unusually free of pointless heckling or party political skirmishes. But for all that there was no doubt of the anxieties and concern of the MPs from the many areas dependent on the steel industry.

Sir Keith, although expressing his distress at what was happening, was able to offer little consolation. Questioned on the likelihood of more closures and redundancies, he said that the new chairman, Mr Ian MacGregor, MP for Surrey, North-West, felt that the deteriorating position of British Steel indicated a deplorably inadequate financial control within the corporation and more than justified Sir Keith's determination to get the best man as chairman.

To another Conservative, Mr John Bruce-Gardyne, MP for Knutsford, Sir Keith said that he would certainly not stand in the way if British Steel wished to dispose of its assets where suitable.

He said that Labour MPs

should not encourage the concept that people could continue to work making goods that nobody wanted to buy. If money was taken to support production that nobody wanted, other jobs would be destroyed.

Obviously, he added that the

Mr Healey tops leadership survey

By John Witherow

A Thames Television poll showed last night that 40 per cent of Labour MPs would vote for Mr Denis Healey as the new chairman of the party if Mr James Callaghan resigned.

From the Tory back benches

Sir Anthony Meyer, MP for Flint, West, said that the grave announcement served further to increase the fears of many that pouring more and more money into propping up what remain ed of the steel industry would be endangering more jobs than were being saved.

Another Tory, Mr Michael Glyn, MP for Surrey, North-West, felt that the deteriorating position of British Steel

indicated a deplorably inadequate financial control within the corporation and more than justified Sir Keith's determination to get the best man as chairman.

About 54 per cent of the MPs, were against the Labour Party

commission's plan for an optional referendum for reselection of Labour candidates, with only 29 per cent supporting mandatory reselection.

The Nottingham dispute became something of a cause célèbre in the labour movement. It started as an inter-

NGA admits temporary defeat in seven-year dispute at Nottingham but plans to regroup

From Our Labour Editor
Blackpool

The National Graphical Association has admitted defeat if only temporarily, in the seven-year dispute at T. Bailey & Son, publishers of the Nottingham Evening Post.

The craft print union has instructed its remaining twenty or so members still working for the company to withdraw their labour from next Monday, and will remove the newspaper office from its "recognized

workshop".

"We think it is an absolute tragedy that the company was never prepared to sit down and negotiate with the unions. Despite the intervention of outside bodies like Acas we have never got any sense out of them."

Mr Tony Duggins, assistant general secretary, told the NGA conference in Blackpool yesterday that the decision had been taken "because further co-ordinated action by the print unions will be unlikely. This is one we will have in full aware-

ness and recognise we have lost."

In time the NGA would try to regroup and regain recognition as it had after a similarly drawn-out dispute with a Kent publishers.

The Nottingham dispute became something of a cause célèbre in the labour movement. It started as an inter-

union dispute in 1973, after which union recognition was withdrawn by the company. At the beginning of 1979 more than two dozen members of the National Union of Journalists were dismissed after taking part in an official strike. Since then there have been several mass pickets of the Nottingham offices of the paper.

Although the union's fund stood at more than £1.25 million, the cost of that and other contributions was due effect next month, this completely negated NGA's plans to effectively raise the rate of expenditure was increa-

ed. Mr Joe Wade, the secretary, disclosed to the Society of Lithographic Designers, Engravers and Workers a process of merger dis-

as a matter of urgent

He envisaged that proposa

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would be ready in the r

months, "certainly in the year", and during th

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would ensue.

Benefit paid out in the recent

long dispute with the News

paper Society and the British

Printing Industries Federation

totalled £1,744,190, in the pre

vious year some £500,000

was paid out, the bulk of it to

members in dispute with Times

Newspapers.

Whitehall union's protest

By Our Labour Staff

Civil servants are being urged to take time off from work today to protest against the dismissals of two union activists working in a south London employment benefit office.

The Civil and Public Service Association, the largest civil service union, has mounted a campaign for the reinstatement of Mr Philip Cordell and Mr Richard Cleverley, who were dismissed from their office at Erixton for allegedly taking time off without permission.

It claims that the men told their management that they would take time off to carry out union business.

Mr Terry Ainsworth, union national officer, said last night that he hoped members in government departments would hold meetings to draw up protest telegrams to Mr James Prior, Secretary of State for Employment. A petition would be handed in to the department and union members in the Erixton office would continue a three-day strike.

The union hoped to win a reversal of the dismissals when the cases went before an appeals tribunal next month.

Workers hostile to 12% pay rise ceiling

By David Felton
Labour Reporter

Union leaders yesterday reacted with varying degrees of hostility to the Government's hopes that pay rises for its employees can be restricted to 11 to 12 per cent in the next wage round.

Public sector unions said that they would be seeking increases in line with the rate of inflation, which ministers hope will have fallen to below 20 per cent when the round starts.

Local government manual workers and National Health Service ancillary workers are likely to provide on of the first tests of the Government's resolve.

Mr Mick Martin, national officer of the Transport and General Workers' Union, who negotiates for about 250,000 manual workers in the public sector, predicted last night: "There will be another winter of discontent this year, and it will make last year look like a tea party".

The desire of ministers to aim for a 10 to 11 per cent pay rise, reported in *The Times* yesterday, is an indication of the Prime Minister's determination to set an example for private sector employers in the Government's battle against inflation.

The union intends today to stage a floating protest outside

In spite of warnings by Sir Geoffrey Howe, Chancellor of the Exchequer, that union demands for increases in line with the inflation rate would "verge on the suicidal", unions appeared yesterday to be determined in their attempts to maintain their members' real earnings value.

Mr Martin said: "There is no way with their policies that the Government is going to get away with 11 or 12 per cent. They are causing 20 per cent inflation, high unemployment and cuts, and negotiators will be pressing for nothing less than increases which cover the rate of inflation".

Another crucial test will be the attitude of the miners, who will discuss at their conference at Eastbourne next month, demands for a £100-a-week minimum wage, compared with the present minimum for the lowest paid surface workers of £73.65 a week.

The miners and groups of workers in other critical areas such as gas and electricity won increases near the rate of inflation in the wages round that is just ending, while other workers settled mainly for increases in line with the 14 per cent.

Musicians float a protest and BBC puts its case

By Kenneth Gosling

BBC management representatives spent an hour yesterday with officials of the Advisory, Conciliation and Arbitration Service explaining the background to the dispute with the Musicians' Union, which will present its case to Acas today.

After that meeting a decision will be made whether there are sufficient grounds to invite the parties to a joint meeting.

The union intends today to

stage a protest outside the Houses of Parliament. A 62-piece orchestra will take to the river and play selections by members under the baton of Anthony Hopkins.

"We will go on until we are arrested or sunk," a union official said yesterday.

He told the annual meeting of the Confederation of Shipbuilding and Engineering Unions at Llandudno: "I forewarn the employers: if the cost of living index is up 22 per cent as it is now, they can't expect us to accept any thing less than that".

The meeting approved a substantial increase claim to be put to the Engineering Employers' Federation to date from next November.

That was a compromise between the employers' "substantial" proposal and the transport union's wish to pursue a £100 weekly basic rate claim for craftsmen, compared with the present £73 a week.

When the replies have been assessed the party's national executive committee will start drawing up a policy statement.

The questions include: Can our energy demands for the future be met within existing resources, given a Labour government's commitment to restore full employment? What contribution should alternative renewable sources make to our future energy needs? How serious will be the environmental effects of using them on a large scale? What contribution should nuclear power make to our future energy needs? What are the risks?

Labour MP may stand as independent

By Our Political Staff

Mr Neville Sanderson, Labour MP for Hillingdon, Hayes and Harlington, who is involved in a battle with militants in his constituency party, hinted last night that he may stand as an independent in the next general election.

He has informed his constituency party that he would do his utmost to ensure that his constituents were not represented at Westminster by anyone committed to support the policies adopted at Labour's recent one-day special conference.

Mr Sanderson said: "I shall make sure that no Labour candidate will win in Hayes unless he is firmly committed to the defence of the country, the Western alliance and social democratic policies".

Two accused of aiding escapers

Two men were accused yesterday of helping three dangerous criminals to break out of Barlinnie prison in Glasgow last Sunday.

Mr Thomas Campbell, aged 27, of Hornbeam Crescent, Eastleigh, and Mr Thomas Lafferty, aged 35, of Kincardine Street, Gartcosh, both of Glasgow, appeared in private at the Sheriff's Court and were remanded in custody.

Engineering pay claim likely to exceed 20%

By David Hewson

Engineering industry workers

would make a pay claim of more than 20 per cent for the year if the present rate of inflation continued, Mr Terence Duffy, president of the Amalgamated Union of Engineering Workers, said yesterday.

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Most fishermen not train in survival, report says

By David Hewson

Training standards for Brit

ish fishermen are severely

criticized in a report published today. The survey says that more than half of fishermen

have not had any training in survival, fire-fighting and first aid, and that many school-leavers go to sea without any formal instruction.

It says that "juveniles can go to sea in the most dangerous of industries without any preparation... some experienced and successful skippers are untrained in fire-fighting and prepared to cope if their ships catch fire, and ships put to sea with a minimum of trained men and any activity requiring skills, even if they are not trained".

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'Picket' is an excellent new way of quickly cleaning up your fruit and vegetables.

You can actually spray, pick and eat them all on the same day.

It's been developed specially to help with insect problems on all your fruit and vegetables—including cucumbers.

So that you no longer have to wait before harvesting.

And it acts fast on all common pests—especially whitefly, caterpillars and fruit pests—giving protection for up to 21 days.

So this year, when the pick of your crop comes under attack, use specially formulated 'Picket'.

And trust ICI to give you a same day service.



Care for your garden.

If your car had done 107,000, would you sell it to a friend?

It takes either guts or confidence.

For Mr. Walker of Burnley, Lancs, it was nothing but the latter.

After all, it was no ordinary car he was selling.

It was a Volkswagen Golf. Still going strong well past 107,000 miles.

Of course, there had been new front brake pads at 30,000; new choke at 40,450; a couple of brake cables at 58,900 and 87,900, and a new alternator at 78,520.

And the clutch and bearing did decide to call it a day at 95,590.

All in all though, Mr. Walker reckoned that replacement parts and regular servicing set him back less than 1½p per mile.

Running costs like these impressed not only our Mr. Walker, but also a friend of his, Mr. Hurst.

So much so that he bought the car.

So what's Mr. Walker driving around in now?

Well give you one guess.



Golf 

HOME NEWS

Juveniles persisting in vandalism and violence should be named in court, chief constable urges

From Christopher Warman
Local Government
Correspondent
Eastbourne

Juveniles who persisted in crimes of violence and vandalism should be named in court, Sir Christopher Payne, Chief Constable of Cleveland, said yesterday.

He told the annual conference at Eastbourne of the Association of District Councils that it was questionable whether they should be protected by anonymity.

"The publication of names in specific circumstances might be justified in the interests of protecting the public and might bring home to parents the realization of their responsibilities", he said.

It was estimated that vandalism cost up to £100 a year, of which about £15 was caused at schools and in the building industry damage or replacement of materials was estimated to be 3 per cent of the total cost of building.

Mr Payne also expressed concern about the serious and growing malaise of juvenile drinking which was a contributory factor to the level of violence and vandalism.

The attitude and behaviour of adults, the style of modern advertisements, the ease with which alcohol could be bought, and encouragement of youngsters to frequent discos and licensed premises were largely responsible. The police could help by improved supervision, but the remedy lay in the hands of other people.

There was a strong case for the "short, sharp shock" treat-

ment recently introduced by the Home Office. "There is no doubt that many offenders would benefit by a short but traumatic deprivation of liberty, and it is to be hoped that the experiment will be successful", Mr Payne said.

There would also be advantages in expanding community service orders to juvenile offenders. Wrongdoers would be making reparation not in financial terms but by physical effort, and it also might make them realize the time and effort it took to rectify something that had been destroyed in seconds.

Punishment was the ultimate sanction against vandalism, and local authorities should take steps to prevent vandalism, but that would cost money.

Preserving the environment was most important. "It may be an uphill battle, but almost without exception where the authorities have persisted by repairing damage, replacing trees and shrubs, getting rid of graffiti and the like, they have eventually overcome the problem.

"Maintenance is vital and it should not be the brunt of spending cuts", Mr Payne said. Damage to property could not be made good without delay because failure to do so might result in further damage.

He urged the recruitment of more staff, including park keepers. "It have little doubt that the gradual disappearance of the resident park keepers from our public parks and gardens and their replacement by mobile patrols has left these areas more vulnerable to attack".

In spite of the cost of em-

ploying more staff, there was merit in examining the measures for protecting parks including the employment of park keepers.

"Financial restraints will continue to preclude many worthwhile projects, particularly those which involve expenditure on manpower. None the less, we must continue to exploit every means at our disposal to combat vandalism."

Mr Payne said that it was necessary to change attitudes among the potential vandals among the general public and among official bodies. There was an important social education role for all public institutions to promote the twin concepts of civic rights and civic responsibilities, building up from the family to the neighbourhood and to the whole of society.

"Such closer links with the community must also effectively involve the police, since the prevention of crime and law enforcement cannot be achieved in isolation.

"Indeed, I would say that policing is no more a matter for the police alone than caring for the elderly or handicapped is a matter for social services alone or urban planning is a matter for planners alone."

Several delegates pointed out to Mr Payne that he was asking them to spend more money when the Government was telling them to make further cuts in expenditure.

He replied: "I know money is limited: it is a question of priorities. Count up the bill for vandalism and you may think some of it can be saved by spending in other ways."



Sweeping in: Some of more than 250 Government office cleaners who arrived in London yesterday to mount a lobby of Parliament. They were protesting against the decision to make 68 cleaners in the Ministry of Defence redundant and give the work to contract cleaners, and they also sent a deputation to Downing Street to hand in a letter to Mrs Margaret Thatcher.

Margaret Thatcher. The women, the Transport and General Union. These women claims are made redundant are members of the Civil Service Union and they were supported by members of the Civil and Public Services Association and the Transport and General Union. These women claims are made redundant are members of the Civil Service Union and they were supported by members of the Civil and Public Services Association and the Transport and General Union.

Call to train teachers for mixed race society

By Our Education Correspondent

All student teachers should be trained in how to teach in a multicultural society, the National Union of Teachers says in evidence to the Aampion Committee of inquiry into the education of children from ethnic minority groups, published today.

Research evidence suggests that where the social circumstances of children are matched

West Indian pupils are capable of equaling the achievement of their classmates, it says.

The union is therefore hopeful that if measures are taken to achieve a climate of welcoming acceptance of cultural and ethnic diversity in our community, children who may have had to contend with a hostile environment stemming from racial prejudice in society and self-respect, which is the key to increasing motivation and decreasing alienation.

All student teachers should be given an awareness of the cultural and linguistic diversity in Britain; should be taught how to counter racial

prejudice and stereotyping, and given information on Creole and other West Indian dialects.

The union calls for the development of diagnostic tests suitable for West Indian children.

Conventional tests are often culturally biased and their results misleading, it says. That can lead to West Indian children being wrongly assessed and placed in special schools or classes for the educationally subnormal.

It also calls for the employment of more black teachers so as to raise the self-esteem, morale and motivation of black pupils.

The motivation of West Indian pupils in school is profoundly affected by their employment prospects. Many of their parents are employed in unskilled or low-status jobs, or are unemployed.

In a ballot 21,000 teachers rejected arbitration. About 18,000 voted for arbitration, but of those, 7,000 said they were prepared to support further action if necessary. The ballot gave a clear majority for a strong line.

Mr John Pollock, general secretary, said the ballot had shown the anger of teachers at being singled out to have a rigid pay policy imposed on them.

"This will be the first time in the history of the teaching profession in Scotland that teachers will have been committed to action from the very beginning of a new school session. It is very serious for Scottish education."

Selective action has been taken in schools over the last few weeks, financed by a levy on all members, which has provided an action fund of £500,000. Mr Pollock said that the teachers realized that they might not win the claim for 18 per cent, but they regarded the offer of 14 per cent as totally unfair.

The precise form of disruption will be announced at the beginning of the next session.

Mr Pollock indicated that it would be varied to ensure maximum effect.

Mr Pollock, recording a verdict of accidental death, said:

"I would like to see the manufacturers of these perfume sprays make investigations and possibly include a warning to show that the contents are inflammable".

Mr Christopher Foulweather, a scientist, said he examined two sprays, "Just Musk", by Lentheric and "Charlie", by Revlon and both contained inflammable contents that compared with methylated spirit. Neither showed any sort of warning.

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The modified version of the sub-committee was against it.

The modified version allowed through despite majority opposition because it was included only as one of several policy options on ways of ending private schooling.

Under the new proposal, independent school pupils would be charged the normal home student rate of £740 for an undergraduate, instead of the £2,000 to £5,000 originally proposed, but would not be eligible for the normal student maintenance grant.

All the other proposals in the original report of the working party on private schools, chaired by Mr Neil

but by God, I will back you all the way."

He told the conference that he would like to see more funds for the health service generated locally through some form of health insurance. The royal commission, which had dismissed the idea of an insurance-based scheme, had not weighed fully its potential advantages, he said, so the Department of Health and Social Security had started its own study.

He held the annual meeting of the National Association of Health Authorities in London, and despite the apparent militancy of the embattled staff, he did not think that the health service would be disrupted this winter.

"While we should not cast up on the unwillingness of people to start disruptive action, I hope that union leaders who think they can secure such action again will take full account of their members' feelings. I do not think there is a stomach for that again."

Mr Jenkins was referring to remarks made last week by Mr Terence Mallinson, a negotiator for ambulance staff, at the conference of the Confederation of Health Service Employees (Cohse), who said that industrial action could occur this winter if the Government made an unrealistic pay offer.

Mr Jenkins said that it was up to health authorities and the management they employed to stand up to anyone who tried to victimize staff refusing to take action. "You will be backed 100 per cent by the Government. It is up to you,

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Mr Jenkins, accused by one member of the conference of wanting to run the health service on raffle tickets and tombola stalls, said that the NHS was one of only four services that had been allowed some measure of real growth this year, the other three being defence, the police and the social security programme.

Earlier in the conference Mr Cecil Clothier, the Health Service Ombudsman, referred to his demand that he should have powers to initiate investigations instead of having to wait for a complaint from a patient.

Often the shortcomings in that respect resulted from pressure of work, but not always. "I have seen several cases recently where nursing staff knew someone was terminally ill but neither the patient nor the relatives had been told."

If the patient's husband or wife was not present when the patient died, and had not been warned of the likely death, their suffering could be increased.

Mr Clothier pointed out, however, that about 50 million contacts a year were made between the public and the health service, and only about 15,000 complaints were made. A total of 562 had come to him last year, only 0.001 per cent of the total number of contacts; and only 106 were upheld.

Mr Clothier said he could do nothing about it because he had

Health service winter likely to be free of discontent, minister says

By Annabel Ferriman
Health Services Correspondent

The "winter of discontent" was a turning point in the National Health Service: staff would be extremely reluctant to embark on such a course again, Mr Patrick Jenkins, Secretary of State for Social Services, said yesterday.

He told the annual meeting of the National Association of Health Authorities in London, and despite the apparent militancy of the embattled staff, he did not think that the health service would be disrupted this winter.

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Pope 'will lift ban on priests'

By Our Religious Affairs Correspondent

The Pope's personal briefs being allowed to the Roman Catholic is to be lifted soon, to Mr Norman St John, Chancellor of the Duxford, in an interview with the *Catholic Herald*, published yesterday.

Mr St John-Stevens, a priest and head of a organization called Bearing offers confidential services to priests in difficulties, interview after a private interview with Pope John Paul II.

The Pope imposed virtually a complete ban on priests soon after he was elected, and it is believed that he will be lifted soon.

He called for improved communications in the health service, saying that a high proportion of complaints coming to him resulted from lack of information.

My impression is that the greatest need is for improved communication between staff and patients and their relatives: between hospitals and primary care services and social services.

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He left the Pope's memorandum on bearing which argue decisions on laicization rest with the local bishop, not to be referred to Rome. He also pursued the matter with the Pope, Archbishop of Canterbury.

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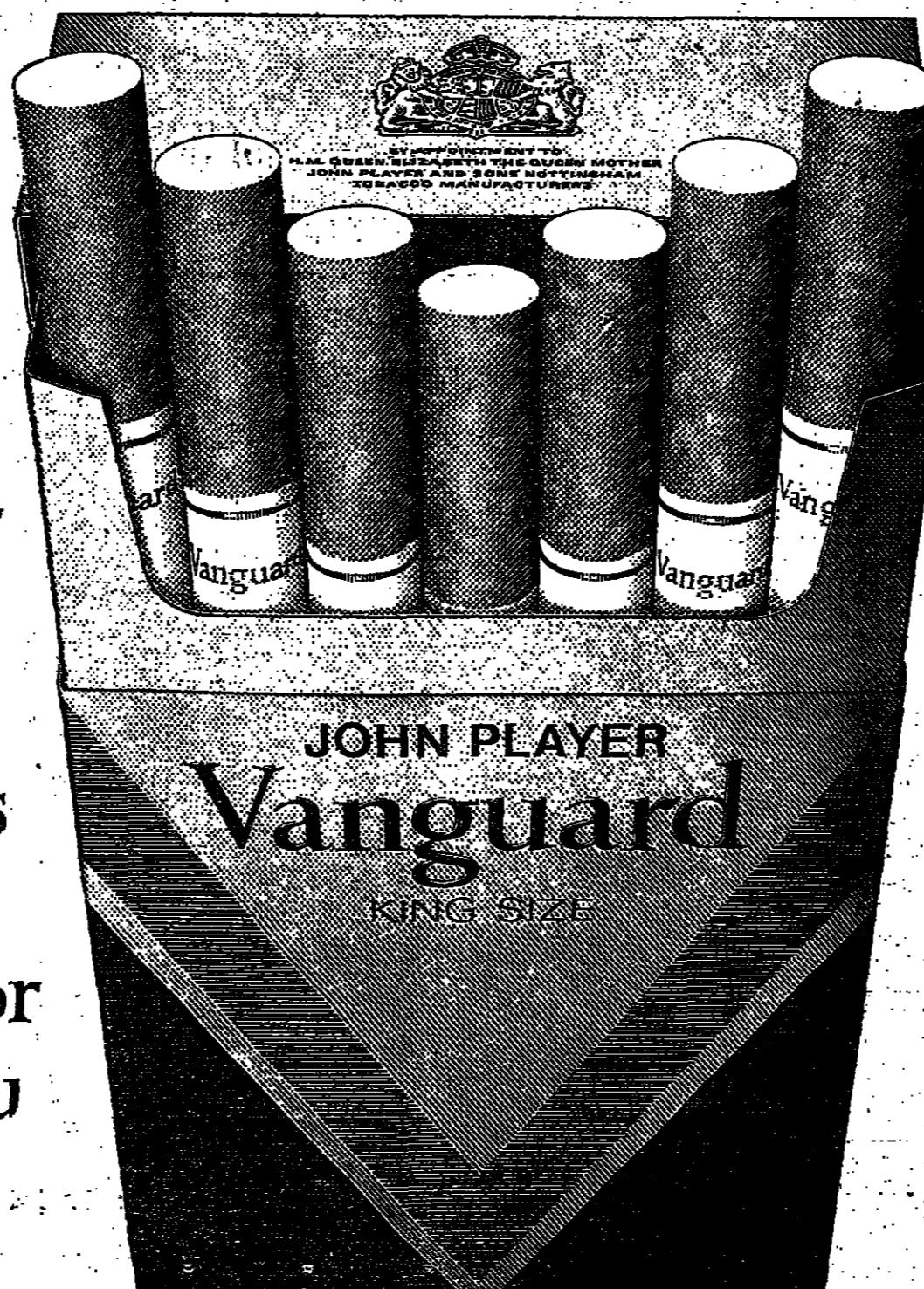
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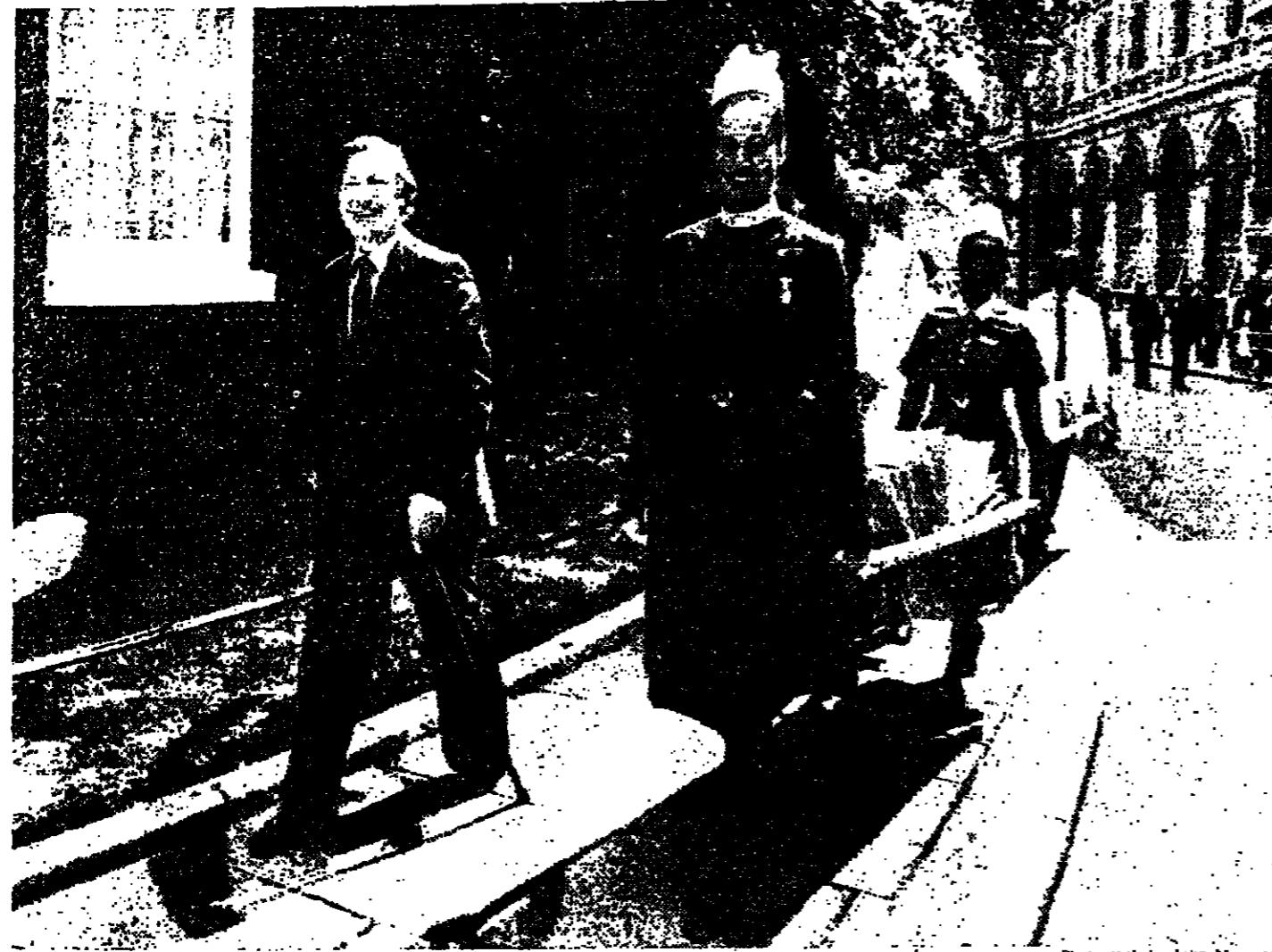
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HOME NEWS



Photograph by John Maclean

Hospital petition: Mr David Ennals, former Labour Secretary of State for Social Services, accompanying Sister Marilyn Wilson (left) and Nurse Rosie Bell yesterday when they delivered a petition of 315,000 signatures to 10 Downing Street calling on the Prime Minister to save Westminster

Hospital and Medical School. Westminster Hospital is threatened with a reduction of 420 beds in the London Health Planning Consortium report and Westminster Medical School with closure in the Flowers committee report (Our Health Services Correspondent writes).

Law Society private member's Bill would give legal aid for bail applications

By Frances Gibb

A private member's Bill has been drawn up by the Law Society in an attempt to press the Government to change the system by which many prisoners on remand cannot obtain legal aid to enable them to appeal for bail.

The Bill, which has the backing of radical lawyers' groups, comes after seven years of criticism of the system and the failure so far of the Government to implement the recommendations of the Royal Commission on Legal Services, which reported last autumn.

The procedure on legal aid for bail applications was criticized by a Law Society sub-committee in 1972 as seriously defective and involving the use of a form that was "out of date, incorrect" and "misleading". It also failed to obtain from the prisoners the information that a judge needed in deciding whether bail should be granted, the subcommittee said.

Criticisms both from the Law Society and bodies such as the Legal Action Group (Lag) and the National Association for the Care and Resettlement of Offenders (Naco) have been underlined by growing figures of the number of prisoners on remand.

That now amounts to an aver-

age of about 6,000 a day, with more than 50,000 prisoners a year being remanded (14.5 per cent of the total prison population), a third of whom in 1979 eventually received a non-custodial sentence.

At present, if a criminal defendant is refused bail at a magistrates' court, his only avenue of appeal, if he is not committed to a crown court, is to apply to a High Court judge sitting in chambers, or to apply through the Official Solicitor.

In practice, only prisoners who can afford to pay to be represented go through the judge-in-chambers system, which statistically appears to give a far greater chance of success in obtaining bail.

Although the Law Society has the power under the Legal Aid Act, 1974, to grant legal aid for such an appeal, it rarely does so; so rarely that some lawyers do not know that legal aid in such instances is available.

Mindful of cost considerations urged by civil servants, the society has adopted a policy of not granting legal aid for the judge-in-chambers procedure unless the Official Solicitor system has first been exhausted.

Under that, the Official Solicitor in theory makes the application on behalf of the prisoner,

and legal aid is not needed. In practice, the prisoner is not represented; he simply fills in an appeal form.

Both the Law Society and lawyers' groups, however, agree that the latter system does not work. Mr Ole Hansen, director of Lag, says: "You have a far better chance of success if you can afford to pay and go through a judge in chambers".

In 1978, he says, the success rate of applications made through the Official Solicitor was 10.3 per cent, and through a judge in chambers, 32 per cent. The next year the figures were 6.1 and 30.6 per cent respectively.

Against arguments about cost, Mr Paul Caradino, an official with Naco, says: "The Law Society estimates that 2,000 defendants might wish to use this procedure which, assuming a cost of £22 an application, would total £50,000, which is less than the per capita cost of keeping just 10 prisoners on remand for a year".

Despite those small sums, the campaigners are up against the difficulty that a private member's Bill involving any cost at all is not easily going to find a promoter.

The Lord Chancellor's Office said that work was in hand on the royal commission's proposals on bail and other matters.

Instruments will be operated from 700 million miles

Switch-on for Saturn scanners

By Pearce Wright
Science Editor

Preparations have begun for switching on the electronic scanners of the first two space craft intended to make close reconnaissance of the planet Saturn.

The remote control of those vehicles more than 700 million miles from Earth is part of one of two ambitious explorations in deep space.

The other is to launch a satellite to intercept Halley's

Comet when it reappears in 1985-1986; it will be another 75 years before it becomes visible again from Earth.

The Journey of the Voyager

spacecraft to Saturn was carried out in London by Dr Raymond Heacock, the project manager at the Jet Propulsion Laboratory of the California Institute of Technology. Highly sensitive instruments will be used for manoeuvres which would be considered delicate if made under laboratory conditions.

The centre monitors and guides uncrewed spacecraft; the better known control centre at Houston monitors the travels of manned vehicles.

The difficulties confronting the designers and commanders

of planetary explorations are in many ways infinitely more complicated.

Dr Heacock said in the James Watt Gold Medal Lecture to the Institution of Mechanical Engineers that it took about 85 minutes for a signal from Earth to switch on a camera or a measuring instrument on a Voyager and to send instructions to adjust the position of the craft or make modifications to the miniature computer control system on board.

It took that time for the information from space to come to Earth in a steady stream of pulses that were decoded and converted into messages, pictures, measurements of temperatures or chemical analysis.

The Voyagers would make their closest approach to Saturn on November 12 next and August 26 next year. The preliminary operations were to begin in three weeks, as various instruments of the spacecraft were brought into operation.

Astronomers and astrophysicists were still digesting the discoveries from that part of the expedition that found a spiral of sulphur and oxygen when crossing the orbit of Io, one of the planet's satellites.

That was when the outer planets were in an alignment that allowed a single craft to fly a trajectory that made a close encounter with each of them possible.

Award of £35,000 damages over terrorist car deaths

An award of £35,000 damages was made yesterday by the Belfast Criminal Injuries Court to Mr Jackie Maguire for physical and psychological damage his wife, Ann, suffered after the death of her three children.

The children died in August 1976, when a terrorist escapee committed suicide at the time the damages case was to be heard. The court yesterday ruled that she had suffered physical and psychological damage and made the award for her suffering.

Mr Thomas Cahill, for Mr Maguire, said: "The case was listed for hearing at a previous court but unfortunately Mrs Maguire died the day before the action. That was on January 21 this year."

Stirling Moss fined

Stirling Moss, the former racing driver, was fined £22 by magistrates at Buckingham today for exceeding a 40 mph speed limit.

ment, which was later to win a Nobel Prize.

Mr and Mrs Maguire later emigrated to New Zealand, but returned to Ulster after another child was born.

The Ministry of Defence said yesterday that the inquiry would be carried out by the special investigation branch of the Military Police.

Previous investigations by the SIB were made jointly with the civil police, to whom all information was made available", the ministry said.

Private Darlin, aged 18, whom the coroner described as "a complete misfit" in the Army, was a member of the Royal Pioneer Corps. He died in February of bronchial pneumonia after an overdose of pain-killers.

More home news, page 10

Law reform urged for attempt offences

By Marcel Berins
Legal Correspondent

The Law Commission has recommended reform of the law on attempts to commit crime which, if implemented, would fill some of the gaps left by the controversial "sus" law, under which a suspected person, is abolished.

Mr William Whitelaw, Home Secretary, announced last month that he was waiting for the commission's report before deciding whether to abolish "sus", as the all-party House of Commons Home Affairs Committee had recommended.

Home Office ministers have made clear that they were worried that if the law was abolished the police would be left with insufficient powers.

The Law Commission was not specifically considering the issue of "sus", nor was its chairman, Sir Michael Kirby, willing to speculate yesterday about the effect of its recommendations on that law.

One main proposal, however, bears directly on conduct that is sometimes caused by the "sus" law. The difficulty has been that the law of attempt has been unclear on how far particular behaviour had to go before it became an attempt to commit a crime.

Another thorny issue concerned the legal position of someone who tried to commit a crime which, known to him, was impossible to commit.

The Law Commission proposes to do away with the concept of "impossibility" in such cases. It suggests that to be guilty of attempting to commit an offence a person must with intent, do an act towards committing the offence which goes further than mere preparation.

The fact that the offence could not be committed would not preclude a conviction for attempting.

Applying the same principles, the Law Commission recommends that conspiracy to commit a crime should be an offence although the offence is not capable of being committed; for instance, conspiring to make a "certain old deposit of money or of other metal or of wood" is an offence.

The effect of the main House of Lords decision on the point was that such conduct would not be attempted.

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The Law Commission, Attempt and Impossibility in relation to attempt, conspiracy and incitement (Law Com No 102) (Stationery Office, £5.75).

Deceit by student

Thair Hussein Dawood, aged 20, of Wibraham Road, Fallowfield, Manchester, was fined £70 by Stockport magistrates yesterday after pleading guilty to obtaining a grade one pass certificate in O level English by deception by failing to attend an examination and arranging for someone else to take it in his name.

In China's Prerogatives of the Crown (1820) it was stated that "Treasure is where any gold or silver plate or bullion is found hidden in the earth or other private place, the owner of which is unknown".

What does that definition mean?

Mr Knox had formulated two questions: (1) Was it the right of the Crown to treasure trove limited to gold and silver even where coins were concerned? (2) What was the criterion to be applied in deciding whether a coin was a silver coin?

Mr Knox had argued categorically in the "Third Report" that coins of 1000 years gone were unknown because silver was a soft metal. English coins from 1066 to 1290 were 92.5 per cent sterling silver except between 1344 to 1353 when the coinage was debased.

Bracton in 1290 referred to treasure trove as being "treasure, no silver or gold, or other kind of metal" found in any place whatever and to treasure as being "a certain old deposit of money or of other metal or of wood" or "a mine", so that it has no owner.

Five centuries later Sir William Blackstone in his *Commentaries* referred to treasure trove as being "any money or coin gold silver plate or bullion is found hidden in the earth or other private place, the owner of which is unknown".

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So far as Bracton was concerned,

he seemed to be no more than a synthesis of Bracton and Coke.

Was there any reason to prefer Blackstone to Coke?

There seemed to be some reason against so doing,

because it would not have been natural, even in Blackstone's time, when copper coinage had been in circulation for nearly 100 years, to have a board of bronze or copper, as opposed to gold or silver, as treasure.

Moreover, Blackstone appeared to refer to the King's right to treasure trove to the same origin as the King's right to mines, which was limited to 10 per cent silver but gold, or silver coin plate or bullion.

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So far as Br

EST EUROPE

M Giscard tries to rise above politics and speak for France

From Ian Murray
Paris, June 26
President Giscard d'Estaing day moved serenely through a ninth press conference he is held since he came to office 3 years ago, showing his molar, confident—some would say arrogant—mastery of briefs varied as Afghanistan and price of books.

Over the previous 24 hours press and television had been preparing the public for the occasion. The President had to ensure that it did become a political event. Twice during the hour 40 minutes that it lasted political questions specifically raised. Once he was asked if he had decided for a say in the enlargement of European Community, electoral reasons, to which the answer was a short "No".

As far as the recent troubles on the border between France and Spain were concerned, he said that the attacks by French farmers on Spanish lorries were "intolerable", the more so as this gave France a bad image and made it difficult to defend its rights.

Asked specifically about how he had not got on with President Carter during their private meeting in Venice last week, he said that the meeting had been "frank and comprehensive" and that he had told the American President that France is and remains a friend of the United States.

The French analysis of the Afghan problem, he remarked, had been given a "positive" reception, as the final communiqué showed.

Defence problems were met by the President with Gaul-style answers. Any attack on French soil would be answered. France, he revealed, had successfully carried out trials on a neutron bomb, which could be ready for use by 1985. By the end of this year the decision to go all out with building a mobile nuclear missile launcher would be taken.

Asked if France was considering abolishing national service the President seemed almost shocked. In the state the world is in today, he said, such a thought would be considered as a desertion and a resignation by France. "I will not allow the French Army to be demolished", he said.

Middle East was the subject. Again he repeated that the solution of the recognition of the state of Israel to secure the rights of the people to exist.

The solution, however, is a race towards the Middle East, which would soon be equipped with more advanced weapons which used to add to the

Jazi accused of art crime p murders

June 26.—Police arrested a former Nazi guard with the murder of at least 24 Jews in a concentration camp near Riga.

Unnamed man, aged 64, arrested while on holiday at the coast after several trials in Hamburg as a former sergeant here.

Accused of having old and sick camp to be put to death with poison between 1943 and October 1945, was not convicted by experts.

His announcement of closure, causes hard feelings of the collapse of the roof of Congress Hall, popularly known as the "Oyster", in the city.

There is no immediate closure of the Deutschlandhalle, a hall for sporting events, concerts and other entertainments in West Berlin, has been closed down by order. The roof support of the large building, erected in 1935 and 1937, were not confirmed by experts.

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New talks begin on nuclear test ban treaty

Geneva, June 26.—American, Soviet and British negotiators today opened their tenth round of talks on a comprehensive nuclear test ban treaty.

The negotiators, now nearing the end of their third year of discussions, held a final delegation meeting, the first since April, at the Soviet mission here.

The talks take place outside the framework of the United Nations Geneva Disarmament Conference. But the final draft, extending an existing treaty to tests underground, is due to go before the United Nations forum for final approval.

Reuter.

of another Berlin hall danger of collapsing

Hotel Spitzer

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EEC hopes vote will end budget dispute

From Robert Morgan
Parliamentary Staff
Luxembourg, June 26

The European Parliament embarked today on what most MEPs hope will be the last stage in settling this year's EEC budget. Certainly the Council of Ministers and the Commission hope it is. The final vote will be taken tomorrow.

With an eye clearly cocked in Giscard's direction, he said that since various partners wanted to see a change in the rules, there was no way that negotiations could proceed with Spain and Portugal on those points until the uncertainty had been cleared up. If the rules were not going to be changed then there was nothing standing in the way of keeping to the original timetable.

As far as the recent troubles on the border between France and Spain were concerned, he said that the attacks by French farmers on Spanish lorries were "intolerable", the more so as this gave France a bad image and made it difficult to defend its rights.

Asked specifically about how he had not got on with President Carter during their private meeting in Venice last week, he said that the meeting had been "frank and comprehensive" and that he had told the American President that France is and remains a friend of the United States.

The French analysis of the Afghan problem, he remarked, had been given a "positive" reception, as the final communiqué showed.

Defence problems were met by the President with Gaul-style answers. Any attack on French soil would be answered.

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By the end of this year the decision to go all out with building a mobile nuclear missile launcher would be taken.

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In the state the world is in today, he said, such a thought would be considered as a desertion and a resignation by France. "I will not allow the French Army to be demolished", he said.

The President then slipped easily through a number of questions set to trap him on the internal state of France. On the economic front, he blamed the bad balance of payments on the price of oil.

In speaking about social problems, he emphasized what was being done to shorten the working week and to improve the career prospects of young workers.

Resumed superpower dialogue is the main object of Herr Schmidt's journey to Moscow

Bonn fear of confrontation

From Patricia Clough
Bonn, June 26

His differences with the Americans apparently settled, at least for the time being, Helmut Schmidt, the West German Chancellor, embarks on Monday on one of the most difficult tasks of his career: his visit to Moscow. He will be the first Western statesman to enter the Kremlin since the Soviet invasion of Afghanistan.

The visit, unlike President Giscard d'Estaing's spectacular but apparently unproductive meeting with President Brezhnev in Warsaw, has been largely and carefully prepared by both sides. Whatever the outcome, whether it is negative, it will be of importance in the present world crisis.

The Chancellor is going to Moscow in a spirit which has increasingly marked the West German position since Afghanistan. It is that of a firmly committed member of Nato whose angle of vision is, for geographical and political reasons, inevitably somewhat different from that of the alliance across the Atlantic or the North Sea.

The thought of Soviet missiles bombers piling up on the other side of the border, ready to turn West Germany into a radioactive desert, and the fate of two million potential hostages in West Berlin makes the German perception different. Yet suggestions in allied capitals that the Chancellor may betray, however slightly, the cause of peace are bad.

Finance ministers, meeting here last week, agreed to offer Parliament a further £146m for so-called non-compulsory expenditure; that is on regional and social policies and other measures not connected with agricultural policy.

Parliamentary report, page 14

Those who say that simply don't know Helmut Schmidt" is the report.

Nevertheless, mounting suspicion and unease in the United States about Herr Schmidt's intentions burst out into the open last week with a brusque letter from President Carter warning the Chancellor not to depart from the Nato position on medium range nuclear missiles.

Furious, the Chancellor may be helped in his talks by his conviction that a solution cannot be found by "punishing" the Soviet Union. He believes the kind of "punishment" imagined by the United States would only make the Soviet Union even more intransigent.

He will also point out the importance of a nuclear freeze in Europe: cannot be unilateral and will attempt to convince the Soviet Union to the negotiations over reducing the numbers of medium-range nuclear missiles.

There has been no indication whether from Moscow that the Chancellor will actually achieve anything. His staff say he has no illusions and since expectations are all very positive result will be seen to be a great feather in his cap.

The Chancellor's diplomatic purpose is to try to set a dialogue between the two super powers going again. He is afraid that otherwise they could slide unwittingly into a confrontation from which they could not draw back. He believes that Germans, who have suffered terribly in two world wars and fear, more than anyone else, a third, have a special responsibility to work for peace.

Herr Schmidt can be expected to express forcefully the Western view that the German cause arouses fierce indignation among his staff.

Turkish application to join EEC postponed

From Michael Hornsey
Ankara, June 26

Turkey has been forced to delay its application to join the EEC because of an internal political crisis, but the Turkish Government still intends to apply before the end of the year for full membership of the Community.

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How to be a good listener.



- 1 Don't interrupt
- 2 Don't jump to conclusions
- 3 Don't assume you've heard it already
- 4 Do ask intelligent questions
- 5 Do keep an open mind
- 6 Do stay positive

● You can't be a good banker unless you're a good listener. And every one of our managers knows this very well. Check this out next time you talk to someone from the Midland. You'll find they actually believe their own advertising.

Midland

Come and talk to the listening bank

Midland Bank Limited

OVERSEAS

Mr Reagan preempts President Carter's tax cutting strategyFrom Frank Vogl
Washington, June 26

cent tax cut over three years, has been widely viewed as a thoroughly impractical suggestion. Now, he has modified his stand with a proposal that looks far more pragmatic.

Democrats in the Senate met today to try to decide how best to rebuff the Republican initiative. The verdict was that they would not support the Republican proposal but would move ahead with a view to possibly approving fiscal stimulus for the economy in September.

Mr Reagan's plan calls for the tax cuts to become effective next January 1 and for the cuts to comprise \$15,600m of personal tax reductions and \$2,500m of business tax cuts.

The White House plan for cuts that would also take effect at the start of the New Year would involve some \$25,000m.

The voting of the Republican candidate's tax-cutting measure coincides with opinion polls showing that only 18 per cent of Americans approve of Mr Carter's handling of the economy, which is the lowest rating since a 15 per cent level was seen in November.

Mr Reagan asserts that he is not abandoning his prudent fiscal stance, but that in the course of the campaign he will announce plans to reduce government spending sharply in coming years. He insists that the tax burden on Americans is now far too high and that his new proposal just offsets some of next year's tax increases.

Congress has already approved a 1981 social security rise of \$18,000m and inflation will push individuals into higher tax brackets and so generate at least an additional \$15,000m in revenues.

Mr Reagan is now blaming President Carter for big budget deficits, record high inflation and for policies that are seeing a producer line idled, factory closing across the land and housing construction going into a tailspin.

These are tough arguments for the President to counter and he is at a clear disadvantage now that his tax plans have been adopted by his rival.

Mr Reagan's economic views are too conservative and doctrinaire. Mr Reagan has been campaigning for a 30 per

cent of which means that Mr Carter can look to success on foreign fields to save him if unemployment is at 8 per cent and inflation at 15 per cent again come November. The president's foreign policy plays in Mr Reagan's campaign is much higher than this analysis would suggest, however, and if the

foreign affairs we're going to play a larger part than usual in this year's presidential election. There are those who insist that inflation, unemployment and interest rates are all that matters; that the difficulties of America's relations with the Middle East, the Soviet Union, Europe, and Central America are altogether marginal and of no concern to voters in Indiana or Nebraska.

Many of us, including Mr Ronald Reagan, believe that President Carter is a weak President and should be replaced because of his failures in foreign affairs. Indeed, a number of once-prominent democrats have come out in support of Mr Reagan, despite their doubts about his domestic policies, just because they consider that the republic is in danger with Jimmy Carter at the helm.

The eastern establishment, currently, is much exercised by questions of the Strategic Arms Limitation Treaty (SALT) in the Middle East, the supposed lack of solidarity shown by European allies or the disrespect shown by Nicaraguans, Iranians and Pakistanis.

There is precious little evi-

dence that large numbers of people in the heartlands will decide how to vote on the matter of the size of the defence budget or even on the grain embargo, but there is plenty of evidence that the President's failures in foreign affairs have spread the view that he is incompetent.

When the Camp David peace agreement was signed in September, 1978, the President's popularity rose dramatically. It declined thereafter, but revived again when he succeeded in persuading the Egyptian and Israeli Governments to convert their preliminary agreement into a detailed peace treaty.

The Venice summit will

doubtless give him a lift in the polls. Conversely, the Panama Canal treaties and perhaps SALT as well, probably did him more damage than good. No one cared enough about them to give him the credit. Plenty of people approved them.

The most startling instance of foreign crises affecting the President's popularity was the taking hostage of the Americans in Tehran, and the fact that they are still there after nearly eight months is one of the causes of his present decline.

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The first of these challenges

is that the nation is in danger because of failures by the President. In the defence field, the Americans people, John Kennedy in 1960 accused President Eisenhower of permitting the opening of the Suez Canal "between the United States and the Soviet Union, to the latter's advantage, and the allegation (later seen to be unfounded) helped him win that narrow victory.

It is a charge that Mr Carter will find very difficult to answer, and he is therefore inclined to respond that he is spending enough on defence and that to spend any more would be to take money away from welfare, and that the United States may cut its cost according to its much reduced cloth.

The other foreign policy issue that will play a large part in the election concerns Israel. Mr Carter is suspected of lacking total commitment to the policies of the Begin Government, and Mr Reagan makes a point of insisting that he, at least, is totally loyal to the old alliance with Israel. Here again, the aura of incompetence that hangs over Mr Carter's Administration affects public perceptions of his qualifications.

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before the election, whoever

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Port Vila takes hard line over constitutionFrom Denis Reinhardt
Port Vila, Friday morning

With a high-level Anglo-French mission due in Port Vila on Monday, the New Hebrides Government has firmly reiterated its refusal to negotiate any constitutional proposals which it believes France and Britain may have agreed to at a meeting in London on Wednesday.

The New Hebrides Government is convinced that the mission will threaten to postpone independence unless the agreement on constitutional guarantees and political offices for the French-speaking minority.

A spokesman for Father Walter Lini, Chief Minister of the New Hebrides, told *The Times* last night: "We're not prepared to be abandoned by Britain to its long-term European interests."

Father Lini's Government, which won two-thirds of the Representative Assembly at the elections last November, claims the talks by Paris and London, five weeks before scheduled independence on July 30, show France is a "loser".

"They said, 'before we play the game, let us know the rules'. The result of that game was clear and unequivocal. What right have they now to the game to be reopened under a different set of rules?"

Father Lini's Government's hardline attitude comes as the ministerial discussions in Paris and London — stretching more than a week — to which it was not invited to participate it claims not to have briefed either officially or privately on the outcome.

Last night a semi-official radio broadcast in the outlying French territory of Caledonia, quoting Paris sources, noted that the London talks had been "complex". Amongst the most difficult problems are organisation of real decentisation measures in the first independent state, the protection of the rights of curé chiefs, and guarantees for cultural interests of the French minorities and their participation in the future state, the broadcast said.

The French Secretary of State's delegation at the talks is said to consider that the Soviet Union had a legitimate security interest in Afghanistan.

The Soviet Tass commentator indicated that there would be no positive response from Moscow.

It said that "anti-Sovietism and hostility to detente were the basis for the President's policies, and Mr Carter was 'obstinately and boshfully keeping silent' about the real causes of current world tension.

"Why, indeed, does President Carter keep silent on the obvious unwillingness of the United States to end the armed aggression against the Democratic Republic of Afghanistan organized by the United States and Peking from Pakistan territory?

"Why does he keep silent on the United States' unwillingness to pull out the American Navy from the Persian Gulf and the Indian Ocean?" Tass asked. — Reuter.

President's popularity seriously eroded by his failure to solve international crises**Foreign policy weakness swings voters to Republicans**

By Patrick Brogan

Foreign affairs are going to play a larger part than usual in this year's presidential election. There are those who insist that inflation, unemployment and interest rates are all that matters; that the difficulties of America's relations with the Middle East, the Soviet Union, Europe, and Central America are altogether marginal and of no concern to voters in Indiana or Nebraska.

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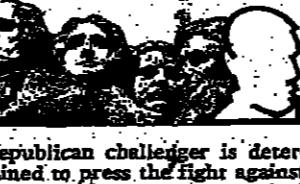
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US Elections

Republican challenger is determined to press the fight against the President on matters of defence and diplomacy (or, national security), he prefers to call it, than Mr Carter will be bound to respond.

The first of these challenges and the most fundamental is that America's defences have been neglected in recent years, and that the Russians now have, or will very soon have, a clear lead over the United States in all aspects of military power.

A happy welcome for President Carter, in Lisbon when he laid a wreath at the tomb of Vasco da Gama, the explorer.

Aircraft refuelling KC135 aircraft at the Beja air base south of here began earlier this year. Portuguese officials see the moves as an American attempt to improve its readiness to intervene quickly in any new Middle East crisis. — Reuter.

Differences in Spain: The failure of the Spanish and American Governments to issue a joint communiqué at the end of the North Atlantic Treaty Organization.

After receiving a public assurance of support from President Antonio Ramalho Eanes, Mr Carter said the Western alliance was facing a new challenge to its most "vital" economic interest.

"Do we have the will, the capacity, the resolve to make a common stand? I am confident that we can and my confidence has been bolstered by the talks I have had here today," Mr Carter said at a luncheon with Dr Francisco Sá Carneiro, the Prime Minister, soon after landing here for a six-hour stopover on his way back to Washington at the end of a European tour.

Dr Carneiro told reporters they had "discussed" strengthening Western defence and had laid a basis for increased bilateral political and economic cooperation.

President Eanes said at today's luncheon that Portugal would never forget how America had stood by it when economic problems threatened the future of democracy after the 1974 revolution.

"Portugal will not act differently within the limits of its possibilities and its own bonds," he said. "In the disturbed present situation, Western solidarity assumes an increasingly higher importance. From our side, it will not be difficult to fulfil our engagements towards our allies."

Representatives of both countries were still trying to write a joint statement in the early morning hours after President Carter had already gone to bed, informed sources said. But they apparently gave up after running into differences which appeared insoluble in the brief time which remained prior to his departure.

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Asian states adopt united stand against Hanoi's aggression and attempts to split alliance

avid Watts
umpur, June 26
oreign Ministers of the
ion of South-East Asian
(Asean) warned Viet-
ight that it must mend
if there is to be any
on of talks over Kam-

Vietnamese showed a
ive attitude, Minister
that there will be
e to resume talks with
But for the present,
Indonesians and Malays
are discounting any
discussions in the wake
oam's incursion into

rst casualty of Asean's
e against Vietnam—
o longer any foxing of
ts with references to
ther than Vietnamese
ill most likely be a
ent of a visit to

Air Chief Marshal
Savetsila, the Thai
Minister. There has so
no response so far.

Mr Nguyen Co Thach,
ame Foreign Minis-
sit Singapore on July
The visit is now most
e to take place.
e foreign ministers
sins to point out at a
ference at the conclu-
their two-day annual
hat they will still seek
solution in Kampuchea
be free to talk to
vided that the Viet-
e not given an oppor-
resume their attempts
association.

Quite how a political solution
can be found without some sort
of contact with Hanoi, the min-
isters were unable to say.

He confirmed that a Thai
reconnaissance aircraft and a
helicopter were shot down.

The ministers, in their final
communiqué, reaffirmed their
call for the withdrawal of
foreign forces from Kampuchea
and the exercise of self-deter-
mination for the Kampuchean
people from outside interference.

Likewise Asean condemned the
Soviet occupation of Afghani-

stan. The foreign ministers of the
Asian countries, Thailand,
Malaysia, Singapore, the Philip-
pines and Indonesia, also called
attention to the urgent need for
more international help for Thai
villagers who have been dis-
placed by the influx of Kampuchean
refugees and recommended im-
proved border encampments with
better protection from
hostilities for the refugees.

They also said that a senior
representative of Sir Robert
Jackson, the coordinator of the
relief programme, should be
provided with a permanent
office in Bangkok to coordinate
relief efforts; that a special
fund for Kampuchean refugees
should be set up, and that more
international officials with
greater access and mobility
were needed in Kampuchea.

Tonight the Asean ministers
began the first of their meet-
ings with officials from
countries with discussions on
the Vietnamese attack on Thailand and
there had been large numbers
of civilian casualties. He added
that 100,000 refugees had been
forced into Thailand, many of

Air Chief Marshal Siddhi
revealed that 22 Thai soldiers
had been killed and seven
wounded during the Viet-
namese attack on Thailand and
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India ponders another invasion of Vietnam

id Bonavia
une 26
t's attack on border
Thailand has increased
bility of a second
vasion of northern
according to qualified
here.

visible Chinese official
"If Vietnam attacks
China will stand on
side." Although

ppor to Thailand is
ally promised, China
feel obliged to make
romise of support for
al power attacked by

Union or its allies.
credibility has already
rom its failure to do
than voice protests
Soviet invasion of
a, a bordering state.

of Vietnam, China
better equipped to
e enemy both mili-
economically, and help
ressure off Thailand
e remaining Khmer in-

considered its last in-
Vienna, launched
er year, and which
er 16 days of fighting,
self-defensive counter-
nd also as a "lesson
nese".

en hints have been
about the possible
a "second lesson,"
one way in which
d enhance its image
her South-East Asian
a strong neighbour
to use force to main-
tus quo.

s not only committed
and material support
hmer forces opposing
un-backed government
o Phnom Penh. It is also
ly concerned at the
ion's use of both
ategic location and
naval and military
built there by the

South China Sea.

ing strategists see this as
a determined move by Moscow
to establish an effective naval
presence around the Straits of
Molucca to intimidate regional
governments.

The infrastructure for a
second Chinese attack on Viet-

nam is mostly in place and
would only need a week or two's
reinforcement to be ready for
combat.

With the recurrent border
incidents and the continued
expulsion of people of Chinese
descent from Vietnam, many
of them complaining of perse-
cution there, China has no
need to search for an excuse
to invade Vietnam.

The People's Daily, in a
commentary, has warned Viet-

nam against "miscalculating"
in its attacks on Thailand.

China's main concern must
be that in the event of further
hostilities with Vietnam, the

Soviet Union might use its
growing air and naval presence
in the area directly in Viet-

nam's support.

Throughout Chinese state-

ments and comments about the

situation on the Kampuchean-

Thai border, there is a tone of
self-vindication. The situation

in Afghanistan, Peking be-
lieves, has brought home to

the West, the dangers of
Soviet expansionism.

The latest flare-up on the

Thai border seems almost

calculated to alarm the mem-

ber states of the Association

of South-East Asian Nations

and will probably hasten the

opening of Chinese embassies

in Indonesia and Singapore.

The fighting also serves to

emphasise the common in-

terests of China and the

United States in containing

Vietnam and preventing the

further growth of Soviet power

and influence in the strategi-

cally sensitive region of the

South China Sea.

Uganda bishops call for action as famine wave

Correspondent
June 26
n bishops in Uganda
ed on the Government
ore to overcome the
ave and wide-spread
tch, they said, were
ndred of people every

shops, headed by the
of Uganda, the Most
mo. Waini said cattle
Karamoja was caus-
numbers of deaths,
tribal revolt in the
area was causing un-
and regarding develop-
urged everyone to
with the Government
about peace and stabili-

of prayer is to be held
day. The bishops to
all political parties,
paring for Uganda's
for 18 years, to
no one was intimi-
prevented from exer-
free choice.

Uganda bill for Tanzania ops climbs to £60m

la, June 26.—Uganda
Tanzania more than
the past year for the
Candan troops and
to have been in Uganda
y helped to overthrow
Amin regime in April
years released here

um, mentioned in the
budget estimates given
ers of Uganda's interim
the National Council
is substantially
an estimate last
£48m. Another £30m is set aside
ama, out of a total sum
which Uganda intends
d on internal security
financial year beginning
ce budget, covering

Lord Carrington
condemns
attack on Thais

Lord Carrington, the Foreign
Secretary, yesterday deplored
the "violation" by Vietnam
of Thailand's territory and
called for the withdrawal of all
Vietnamese troops from Kampuchea.

In a statement, issued by the
Foreign Office, Lord Carrington
said: "The Vietnamese incursion
into Thailand on June 23 and 24 marks a serious
escalation in Vietnamese aggression against neighbouring
countries."

The British Government
deplores this violation of
Thailand's territory and the
further suffering inflicted on
the Thai and Cambodian
(Kampuchean) civilian population.

The statement follows a
strong condemnation of the
Vietnamese military intervention
by Mr Edmund Muskie, the
American Secretary of State.

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by Mr Edmund Muskie, the
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room than any other car in its class. Space for skis,
fishing rods or other unlikely objects inside the car.

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of a flier.

It'll do a genuine 100mph. Get to 60 in under 13 seconds.
Hold the road better than virtually any other smaller car.

And its big brother, the new 1.5, is slightly quicker, almost
as economical, and costs £4,500.

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room than any other car in its class. Space for skis,
fishing rods or other unlikely objects inside the car.

And an aftercare package which includes
unlimited mileage guarantee, 2 years free routine

Soviet nerve gas 'sent to Eritrea war zones'

From Charles Harrison
Nairobi, June 26

Eritrean nationalist groups
say a quantity of lethal nerve
gas, recently shipped from the
Soviet Union to Asmara, has
been moved to areas of north-
ern Eritrea for use against the
Eritrean force against the
guerrillas who are entrenched
there. So far there are no re-
ports of the gas being used.

The Soviet Union has also
supplied 24 helicopter gunships
and 200 troop-carrying heli-
copters, plus about 200 Soviet
advisers who are assumed to be
preparing for an assault against
the Eritrean guerrillas who
have succeeded in resisting the
Ethiopians for 18 years.

Eritrean sources say the
Soviet advisers include a number
of experts in chemical warfare.

An Ethiopian drive to crush
the last pockets of resistance
has been expected for some
weeks, but it appears to have
been delayed by guerrilla suc-
cesses against some probing
attacks by the Ethiopians.

A new turn has been given
to the Eritrean situation by a
recent agreement between the
Ethiopian and Sudan Govern-
ments to cooperate in restoring
normal conditions along the
border between Eritrea and
Sudan. Sudan is no longer
allowing supplies to reach the
Eritreans who must now rely
on limited shipments of arms by
sea to isolated locations along
the Red Sea coast.

But the Eritrean insurgent

groups are continuing to refuse
to negotiate with Ethiopia and
are maintaining their long-
standing demand for complete
independence.

Most of the main towns in
Eritrea are in government
hands, but the insurgents retain
control of Nakfa in the north,
and claim to be harassing move-
ments between other centres.

Meanwhile, Ethiopian mili-
tary activity is increasing along
the Ethiopian-Somali border.
For the third time within a
week, Ethiopian MiG fighter
bombers attacked the Somal town
of Dolo, killing one civilian
and injuring another. The four
attacking aircraft destroyed a
school building.

Around Dolo there are a num-
ber of camps housing more than
100,000 refugees from the
adjacent Ogaden area of
Ethiopia. Two Ethiopian air-
craft were shot down in raids
earlier this week, and one
Ethiopian pilot was captured
after parachuting to safety. An
Ethiopian helicopter rescued
another pilot, heightening spec-
ulation that Cubans or
Russians are piloting some of
the Ethiopian aircraft.

Somali sources say Ethiopian
attacks have been increased in
apparent response to increased
attacks by the Western Somali
Liberation Front guerrillas
operating inside the Ogaden.

Foreign Report is
on page 18



Opposition forces debate on Sanjay crash

Delhi, June 26.—Opposition
members walked out of the
Indian Parliament today after
a minister tried to preempt
their notice for debate on the
aircraft crash that killed Sanjay

Gandhi, the son of Mrs Indira
Gandhi, the Prime Minister.
Their protest forced the
chairman of the Upper House

to agree to a debate tomorrow

on the abrupt cancellation of a
court of inquiry into Monday's
crash.

The Prime Minister's son was
cremated two days ago, and his
ashes were collected in copper
and brass urns from the funeral
pyre today to be immersed in
some of the country's holy
rivers over the weekend.

Mr A. P. Sharma, the Civil

Aviation Minister, earlier told
the Lower House that the court
of inquiry was dropped after
the Government discovered that
an inspector had already been
appointed.

The minister added that the
inspector normally investigated
all accidents including those
of flying clubs.



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Official Government fuel consumption figures, Alfasud 1.3 (Weber carb): Urban cycle 26.5mpg (10.6L/100km). Constant 56mpg (90km/h) 42.2mpg (6.7L/100km). Constant 75mpg (120km/h) 32.9mpg (8.6L/100km). Alfasud 1.5 (Weber carb): Urban cycle 25.1mpg (11.3L/100km). Constant 56mpg (90km/h) 41.3mpg (6.7L/100km). Constant 75mpg (120km/h) 31.2mpg (9.0L/100km). To be confirmed by DOE.

PARLIAMENT, June 26, 1980

Plans of new chairman will seal fate of BSC: £400m more required now

House of Commons

The Government has been told by Sir Charles Villiers, chairman of the British Steel Corporation, that he would have to recommend the liquidation of the business unless the Government agrees to factoring of home debtors and sale and leaseback of assets. The Government has given the corporation a financial limit to provide an additional cash requirement of about £400m in the financial year 1980-81. Sir Keith Joseph, Secretary of State for Industry, said in statement.

He added that the Government would not reconsider the level of the external financing limit. Mr Ian MacGregor, the new chairman, makes his proposals and the corporation was taking the necessary measures.

Sir Keith Joseph (Leeds, North-East, C)—For the last financial year, at the House was told on June 15 that BSC was a loss of £400m. The new chairman has made his proposals and the corporation was taking the necessary measures.

For this financial year, the Government have made £400m of tax payments to the corporation under the external financing limit. The chairman has warned me for months that, without corrective action, BSC's needs will greatly exceed the external financing limit but he also told me that he was seeking remedies and was not asking for more cash.

On June 6, however, he wrote to me that, even after allowing for the tax payments, an additional cash requirement of about £400m in the financial year 1980-81 over and above the external financing limit.

Should the Government decide to advance additional funds any required would involve a supplementary estimate and if needed before September would be provided by a responsible advance from the contingencies fund. I shall report to the House again later in the year.

After months of indecision and a year of dithering, can we tell us

now clearly and unequivocally whether he is in favour of a British bulk steel industry or not?

Sir Keith Joseph—I am asked to accept that if I had only followed the advice of the Opposition and bought off the strike when it occurred or avoided it by raising the price of steel, then I would be well, but I remind you that when they formed the Government, they deferred closures obviously needed at the time and thus delayed until a time of relatively high unemployment losses of jobs which could have been more easily absorbed, with less unemployment than has since been.

Yes, I do support a bulk steel industry if it can be profitable. Mr Patrick McFarlane (New Forest, C)—The corporation's target became unrealistic on the day the strike started and no buying of steel was possible.

It is for the new chairman to use every practicable means, including a further review of capacity and disposals, to bring the corporation's cash requirements closer to the external financing limit, and to see if it is possible to restore the corporation's financial and trading position.

Mr John Sulkin, Opposition spokesman (Labour, Deptford, Lab)—We have been warned by the Government for more than a year that the cash limits were unrealistic and impossible.

Mr Alan Beith (Berwick-upon-Tweed, C)—How does he expect that steel workers will try to make it profitable when they see that the price is closures and that the

costs of closures are being added to the costs of the corporation?

Sir Keith Joseph—I think that steel workers will understand that it is in their interests to make their industry profitable.

Mr Kenneth Baker (City of Westminister, St. Marylebone, C)—To a large part the financial position of the British steel industry is a direct and tragic consequence of the strike earlier this year.

The unions in British Steel have to a large degree imposed upon their industry a grievous and self-inflicted wound.

Sir Keith Joseph—I agree that the strike and its consequences in the steel industry are a burden which we must bear.

Mr Michael Grylls (North-West Surrey, C)—The deteriorating position of British Steel indicates deplorable, inadequate financial control within the corporation and more than justified its own decision to get the best man as chairman.

Sir Keith Joseph—I am glad he agrees with me. British Steel deserves the best man we can get.

Mr Lee Alles (Pontypool, Lab)—It is envisaged in the additional support which the Government envisages for British Steel that as we come out of the recession in the next two or three years, there will be a stunned down and British Steel industry.

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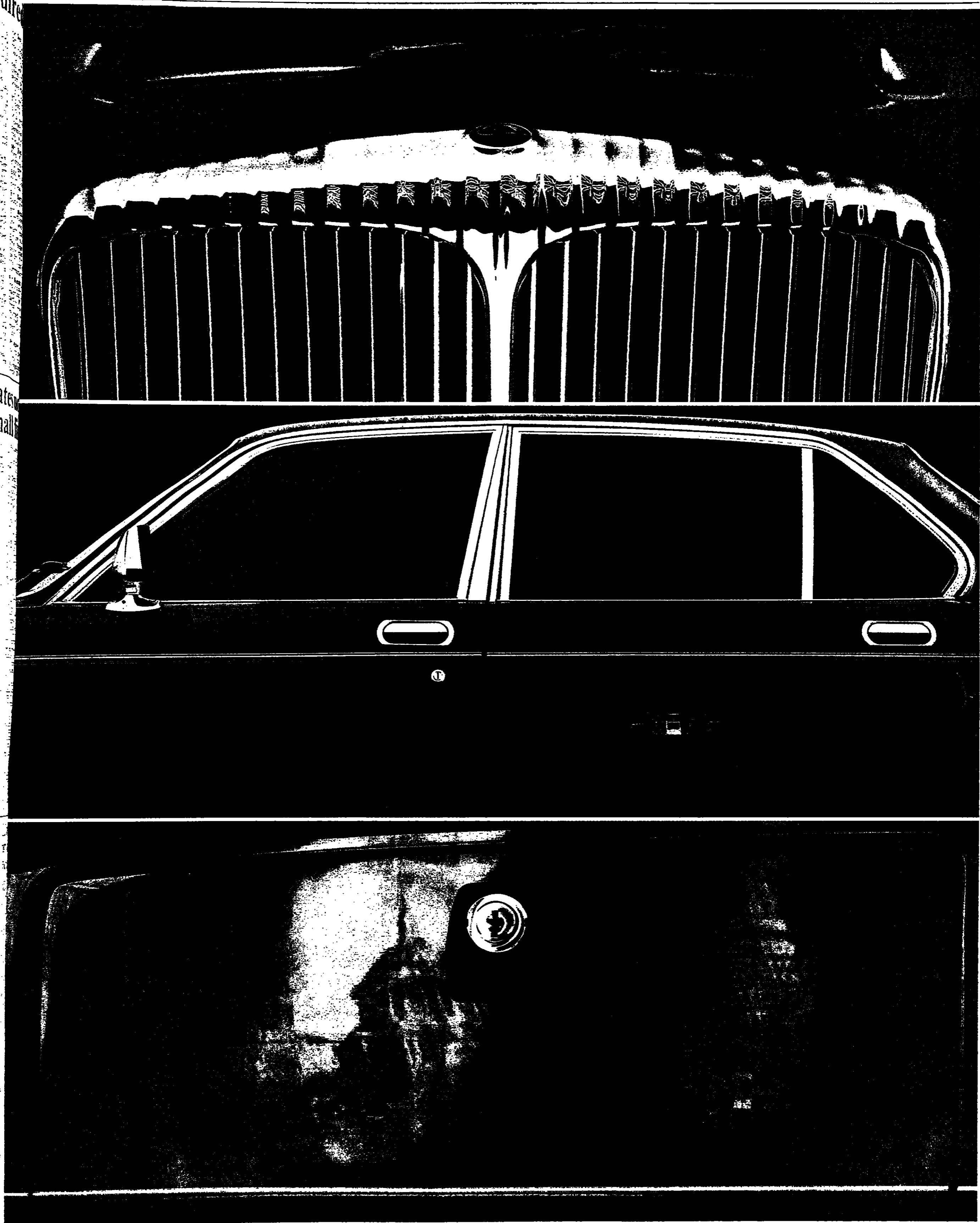
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THE TIMES



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INSOLVENCY OF STEEL

Yesterday in the House of Commons, Sir Keith Joseph, Secretary of State for Steel, stated that the British Steel Corporation was insolvent, will now continue to do business on the explicit understanding that the Government itself bears responsibility for ensuring that the Corporation's creditors will be met in full. The statement of the Secretary of State's statement was firm and uncompromising. The BSC was not furnished for not acting with sufficient speed and determination.

The present chairman's proposals for raising extra funds aside, the regime of cash was turned down firmly on the grounds that they would postpone the day of reckoning.

The reality of the situation, however, is that Sir Keith's statement was merely an attempt to gain support in the face of the amounts to a catastrophic situation for steel. The hope that discipline of a cash limit of £m for the current financial year would exert a rigid commercial discipline on the BSC proved quite illusory. That imposed limit on the amount of a money that the Government prepared to authorize from

internal sources for the BSC has

simply been overwhelmed by the huge financial consequences of the steel strike at the beginning of the year, the continuing slump in domestic and world demand for steel as the recession gathers way and rising production costs.

As to substance all that the minister was able to say was that a winter supplementary estimate would be needed in order to advance more money to the BSC in the course of the year and that, if this need was very urgent, it could be done on a temporary basis without such an order by raiding the public spending Contingencies Fund. Meanwhile his only option was to await the arrival in office of the new chairman next month and the presentation of his emergency plans to the Government. In short the buck is firmly being passed back to the BSC.

To the departing BSC chairman his due at the end of a bitter term of office, all the

nature and the scale of the rundown that was needed in British Steel as the market just fell away during 1979 much more clearly than most members of the Government. His manner

and presentation may have count against him, but his analysis was realistic. His successor will, broadly speaking, have to continue down the same road.

The two elements of that strategy must be these. First, the steel making capacity of the BSC must be reduced until it is brought much more nearly into balance with the demand in the market. Steel is not a service. It is a product that has to be sold.

The rate of contraction required in some areas is still not widely appreciated, even within the Government itself. The second element is that the monolith that is the BSC must be broken down into units that can be managed and with which those involved can identify.

A high proportion of the problems that the BSC has faced in recent years stem directly from the fact that the Corporation is one gigantic legal entity with the resulting over-centralization. In combination these elements suggest for the new BSC chairman a programme of breaking up the BSC's activities by keeping those facilities which show some chance of operating on a commercially viable basis and closing down or selling off the rest.

carrying it out, the recent Lisbon agreement can meet that demand.

Spain has had a defence agreement with the United States for many years, one that expires next year and which the Americans are anxious to renew. In spite of that, a decision to join NATO by a country of Spain's size and strategic position would be an event of considerable significance; and the Soviet Union has made it clear for some time that it is opposed. So the question of Spain's association with the West, and whether it should not follow a policy of non-alignment, is likely to be thoroughly debated in Spain; and it is still not clear whether the Spanish will want to be full members of NATO's military structures or have a position more like France's. There would be obvious advantages to the NATO command from Spanish membership—the presence of its Navy in the western Mediterranean, for instance, and the facilities it could provide for air and sea links across the Atlantic. But the West's primary need is a political one—to consolidate Spanish democracy and to reinforce Spain, after its long absence, as a full participant in its affairs.

The issue of Spanish entry to NATO is also being linked with Gibraltar. There are members of the Spanish armed forces who regard any NATO presence at Gibraltar as an insult to Spain, and Señor Ortega has said that Spanish entry to NATO could be delayed if there was no satisfactory solution there. It is to be hoped that in spite of delays in

PAIN MOVES TOWARDS NATO

The issue of Spanish membership of NATO has now been brought out into the open, and earlier than had been expected. It had been thought because of the sensitivity of the issue in Spain, where the Socialists and the Communists opposed to Spanish entry, in Señor Suárez's government did not raise it before next's European security conference in Madrid. But earlier this Señor Ortega, the Foreign Minister, announced that Spain is applying for membership of NATO and that he hoped to complete the process by 1983. In his speech in Madrid on Tuesday President Carter further than the United States has done before in urging Spanish membership. The Americans recognized, he said, that was a decision to be taken by and exclusively by Spain; they hoped that Spain would its interests served by participation in the collective security of the West.

The Spanish government's decision to press the issue now has to be partly the result of its vote in Parliament earlier month, when it had little difficulty in defeating a censure on put forward by the Socialists. It hopes to get a similar

majority for entry to NATO, especially as there are signs that the Socialists, who are demanding a referendum on the issue, may be wavering in their opposition. But there is also a broader consideration, which is the difficulties now being raised by France and, to a lesser extent, West Germany over Spanish entry to the European Community. The intention had always been to take the question of Community entry first, because it is less controversial in Spain, before turning to NATO. But it is apparently thought that the difficulties with the Community can be eased by applying to join NATO now, so emphasizing the broader issue involved, which is the reintegration of Spain into the mainstream of Western affairs. As Señor Ortega put it, it would be absurd for Spain to join NATO if it was kept out of the European Community.

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SELF-REGULATION AT LLOYD'S

A elite club in Lime Street in City known as Lloyd's, which vites everything maintains its most effective insurance market and whose underwriters themselves on taking risks

lesser mortals would consider to be sheer folly, will never quite the same again. The s are going to be changed significantly they have been written by a committee headed by an outsider, Sir Roy Fisher, an eminent legal in the City. Equally important, yd's has decided to publish inquiry's findings.

our years ago, when the rest of the City was licking its wounds after the secondary king crisis and a number of scandals, Lloyd's alighted in a mood of self-consultation on having come through unscathed. That proved to be an illusion. Quite suddenly, yd's outdated administration was confronted with a row over sign ownership of broking tibers, an unseemly public mrelling between brokers over so-called Savonia claim and other disputes, including the

infamous "Sasse affair" in which a number of Lloyd's underwriting names dispute claims made against them.

The system by which members of Lloyd's were expected to obey largely unwritten rules and to toe the line set by the Committee of Lloyd's made up of sixteen members, including the chairman, could not cope. It made a number of defensive and irrational decisions on the complex issues which it faced, and in the end had little alternative but to commission an inquiry. The public disquiet and the damage being caused to the market's international reputation could not be ignored.

The effect of adopting the Fisher inquiry's recommendations—which at this stage the Lloyd's hierarchy seem prepared to accept—will be to strengthen self-regulation in the market by imposing a new structure which would bring outsiders onto a new, overriding Council of Lloyd's. It in turn would be responsible for creating distinct disciplinary and executive functions. Whether this will work satisfactorily remains to be seen. Much will obviously depend on the quality of the three outsiders who will sit on the twenty-

five-strong Council. But the alternative, some sort of regulation from Whitehall, is not necessary, though the inquiry is right to have insisted that the Governor of the Bank of England should approve the outside representatives.

Another tranche of Fisher's recommendations deals with financial links between brokers and underwriting members. Most leading Lloyd's broking firms also control underwriting agencies, a practice which has developed over the years and reflects the loose administration and regulation which led to the present situation. Fisher says no further links should be allowed and that existing ones should be broken within five years. This must be right. Such duality leads to a conflict of interest between the shareholders and clients of brokers and the investors who put up capital for underwriting syndicates. It is not a new idea though. Lord Cromer in an unpublished report on Lloyd's ten years ago recommended the same thing. Fortunately Lloyd's has now accepted that it has to be accountable to the public which uses its services. It simply cannot afford to brush Fisher under the carpet.

Because of our union's almost unilateral practical opposition to the original anti-trade union legislation our healthy finances were drained so much that in 1975, when I became general secretary/treasurer, I inherited a four-year-old overdraft which had never been less than £25m.

Within a year I eliminated this, and since then by careful stewardship we now have over £10m invested. Additionally our property, if revalued, would be worth another £20m.

It is only because a number of recent major disputes, coupled with increased national and international arbitration fees, increased by us from £1.9m within two months that we have arranged what is now normal commercial practice, ie overdraft facilities, all of which we may or may not take up, of £200,000. It is not a loan as you report.

I am sure your readers will appreciate that I would be a poor treasurer if I had £1.9m lying around in either a current or deposit account when indeed it could be invested in much more lucrative sources.

Our union finances are quite firmly secure, and our membership is now the highest in our history, 1,232,000.

Yours sincerely,

JOHN BOYD,
General Secretary,
Amalgamated Union of
Engineering Workers,
110 Peckham Road, SE15.

Good husbandry

From Sir John Boyd

Sir, Would you be gracious enough to correct the wrong impression that your front-page article (June 23) could create.

Language and liturgy

Mr David Tyzack

I wonder how many other Christians share my feelings over continuing squabbles over the right to use liturgy in the church. We worship God to give Him pleasure not to satisfy or ingratiate ourselves, and whether we worship by using a liturgy with old-fashioned language or a liturgy in vernacular English or even as liturgy in a vernacular, all could not possibly matter.

am also very concerned that breath of renewal which God plainly breathed into the church over the last ten to twenty years did not last in a wholly spiritual and academic debate. Christians must, in my opinion, be more concerned and involved in world and its problems. We must learn to put aside our preoccupation for internal bickering and on with the job of building the dy of Christ on Earth in love and ministry.

Yours faithfully,

DAVID TYZACK,

St. George's Lodge,

Wootton, Devon.

Overseas student's fees

Professor G. Jackson

The Bishop of Mauritius draws

attention (June 17) to the deterrent effect of high university fees in

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Britain, the PLO and the Zionists

From the President of the Zionist Federation and others

Sir, It now appears that the policy of the British Government is to secure the establishment of a Palestinian state under the control of the Palestine Liberation Organization.

This is clear from the EEC declaration at Venice and from the gloss that Mrs Thatcher put on it in the House of Commons (June 16). It is a policy to which the Jewish people throughout the world are implacably opposed. The British Government and other EEC governments should realize the depth of Jewish feeling and our determination to fight the policy in every possible way.

Mrs Thatcher justifies Palestinian self-determination by saying that what one people has cannot be denied to another. Our opposition to the PLO and its creed springs from its denial of self-determination to the Jewish people of Israel while claiming it for themselves in the whole of Palestine. As Mrs Thatcher must have known, Al Fatah, the so-called moderate group in the PLO, only a week before the Venice meeting, had repeated the intention of Israel to be blackmailed by Israel and its Zionist supporters.

Given Washington's irresponsible commitment to Israel, any independent European initiative was certain to result in estrangement between Europe and America, as has now happened.

It is plainly arguable that Europe should long since have braved the coined wrath of Washington andrael. But its reluctance to do so, understandable and certainly dishonourable and

From Sir Anthony Eddington

Sir, When Mr Eban (June 13) asks why Europe's diplomats have played such an unimpressive role over the West Bank, he is posing a pertinent question—one that often is raised from the Arab side as well. But "for" reasons of "detachment" are not those which he supplies. They are first, that it is America, not Europe, that holds the key to peace; second, that America remains committed (for reasons of domestic party politics) to a policy of gross partisanship for Israel; third, that the Europeans do not wish to be associated with this policy for reasons of self-interest but also of morality; fourth, that America, at the bidding of its oil companies, has deliberately sought to keep a monopoly of peat-making within its own hands, eluding from the peace process normally Europe but also the other super power; and fifth, that if Europe had tried to play a more effective role, it was bound to have been a more even-handed line than America has done and hence was bound to be blackmailed by Israel and its Zionist supporters.

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LETTERS TO THE EDITOR

From the Reverend K. G. Spence, SJ

Sir, The Times reported (June 11) that a Zimbabwean delegation led by the Finance Minister, Mr Enos Nkala, had recently visited London. It sought a substantial increase in financial assistance and above all a loan which the British Government is committed to lend to Zimbabwe over the next three years. The increased sum would be a contribution towards the cost, not only of buying land in Zimbabwe on which to settle refugees, displaced persons and people living in over-crowded rural areas, but also of developing the resettled land. Your correspondent reports Mr Nkala as speaking of a total programme exceeding £1,000m over six years, amounting to £670m. It is not known how large a contribution he is asked for from Britain; but he is said to have been told his request could not be met.

Promotion of compensation, principally, of course, to white owners for land acquired for resettlement, accords with the wishes of the British Government which were embodied in the Lancaster House agreement. The Zimbabwean Government is evidently concerned with the honouring of its commitments in the matter of land, under that agreement, distasteful though these commitments were to some of its supporters.

As a priest now on leave in this country but just about to return to Zimbabwe, was encouraged to do so in view of reports that Britain's understanding of the situation was deteriorating, and that it was turning elsewhere for aid, I hope that the West's present performance falls notably short of the generosity implied in its past language, there should be

no surprise if Zimbabwe's reaction is one of cynicism and future mis-

trust. After the 1965 unilateral declaration of independence, Britain claimed the authority of a colonial power in Rhodesia. It was in face of her incapacity to exert her authority, to end the rebellion and to achieve the majority rule which British Governments themselves proclaimed as a policy aim, that Zimbabwean nationalists saw themselves as compelled to launch the armed struggle. In these circumstances, it is not that Britain's sense of responsibility for the post-war reconstruction of Zimbabwe should be strong.

The country needs and deserves help. After a long and destructive war, it is, apart from the resettlement of refugees, faced with such problems as the maintenance of internal peace, and that expansion of the economy which is necessary, not only for the prosperity in general, but also to absorb into peaceful and constructive employment the war-time fighters. Administrative, health and education services, which were particularly deprived in the rural areas, Agriculture must be built up so that the country can feed itself, and one would hope, even help its needy neighbours.

Indications are that Zimbabwe is settling down to such tasks and has succeeded in eliciting the cooperation of voluntary agencies, including the churches. The balanced and conciliatory attitude displayed since independence—the absence, for instance, of vindictive executions and imprisonment—includes openness to the West and to what may be considered some of its best political values. An ungenerous response from the West to Zimbabwe's acute needs could compel such turning elsewhere for aid as might entail, regrettably, a weakening of the openness mentioned and, eventually perhaps, trouble and cost to it.

Yours faithfully,

K. G. SPENCE, SJ.
Jesuit Missions.
11 Edge Hill, SW19.

Public expenditure cuts

From Mr Michael Stewart

Sir, Quite apart from the fact that what he rather immodestly dub as "Hague's Law" has been known to economics undergraduates for the past 20 years as "the relative price effect," Professor Hague's article "Why the public expenditure cuts must go on" (June 20) seems particularly perverse.

The essence of Professor Hague's argument is that productivity rises by perhaps 2 per cent a year less in the public sector than in the private sector; that if the "output" of the public sector, as a percentage of national output, is to stay the same this must mean a rise in the percentage of the labour force in the public sector and a rise in the percentage of the national income collected in taxation; and that this being (by assumption) disastrous, "we must transform the public sector, raising productivity where we can and abandoning entirely or making private those activities where we can not."

This is a chaotic by-product of an honourable attempt by the courts to plug yet another gap in family property law, an inevitable consequence of policies fuelling the task of creating a comprehensive code: unlike those laws which fall strictly within its jurisdiction, where the intervention of the courts regarded as "imperialist," Professor Hague has been all too willing to let the courts legislate for vast numbers of people affected by family property disputes, knowing that no rule can be universally popular or acceptable within any party.

This cannot go on. The machinery available to the courts is woefully inadequate to the needs of the public sector, as the young honours mathematics sees little has to be very dedicated to ensure what Burnham has done to his prospects

Yours faithfully,
MICHAEL STEWART

FOREIGN REPORT

Elephant and rhino endangered by well-armed poachers

The habit of killing, once acquired, is not easily broken. For the game poachers of East and southern Africa slaughter continues to be a way of life—though now made more efficient by the use of modern weapons, the small change of guerrilla warfare.

The African elephant and black rhino are facing extinction, despite a proliferation of campaigns to save them. However energetically and efficiently the international conservation establishment may mount its appeals, they are no match for rockets and automatic rifles; and the guerrilla tactics that proved so successful against regular armies have served the poachers well.

Five years ago the population of the African elephant, over a range of about 3,000,000 square miles and 34 countries, was estimated at 5,000,000. A recent report to the New York Zoological Society put the numbers at about 1,300,000, a decline of about 75 per cent. Poaching is almost entirely to blame.

According to the World Wildlife Fund (WWF), aerial surveys show that the numbers of elephants in Uganda's Kafu-lega National Park, once one of the most densely populated in Africa, have dwindled from 9,000, 10 years ago, to 150.

Dr Iain Douglas-Hamilton, the leader of the survey, wrote: "The surviving group was found clustered in one big

terrified herd that kept moving day and night, unable to find refuge and shedding corpses like leaves along the trail."

A similar survey in Rwenzori National Park, on the Ugandan border with Zaire, showed 150 animals, compared with 3,000 in 1972, with two corpses for every live elephant. They appeared to have been shot with automatic weapons and in many cases only the ivory was taken; the meat was left to rot.

In Zambia, Mr Peter Murphy says, poaching has reached "an unprecedented level, both in scale and in sophistication of operations". Early this month, after a trip to the Luangwa Valley, Mr Murphy described "at least 10 gangs of poachers with up to 25 mercenaries per gang armed with AK-47 automatic rifles and other sophisticated weapons".

The poachers had sufficient firepower to kill 600 elephants and 240 black rhinos a month. Despite tough conservation measures and some degree of international control over trafficking in such animal products, prices of £300 an ounce for rhino horn and the increasing scarcity of ivory make legal risks well worth taking.

Rhinoceroses have been ruthlessly hunted because of the misguided belief that the horn contains aphrodisiac qualities", WWF says.



An elephant with a severed trunk, victim of the game poachers of East Africa.

In the Far East it riches automatic rifles. Here, too, elephants are the most popular quarry because the soldiers can use them to supplement their food rations and to sell as trophies, often across the border in Zambia.

The situation in Uganda's game reserves has been known for some time. Idi Amin's unscrupulous troops accounted for thousands of elephants, hippos, antelopes and buffalo; later, Tanzanian soldiers continued the killing. Earlier

Binisa announced a programme of remedial programmes for Ugandan national parks, few of which, if the light of subsequent political developments, are likely to be put into effect.

Details of the various campaigns in aid of Africa's wildlife are available from the World Wildlife Fund, Gland, Switzerland.

Tony Samstag



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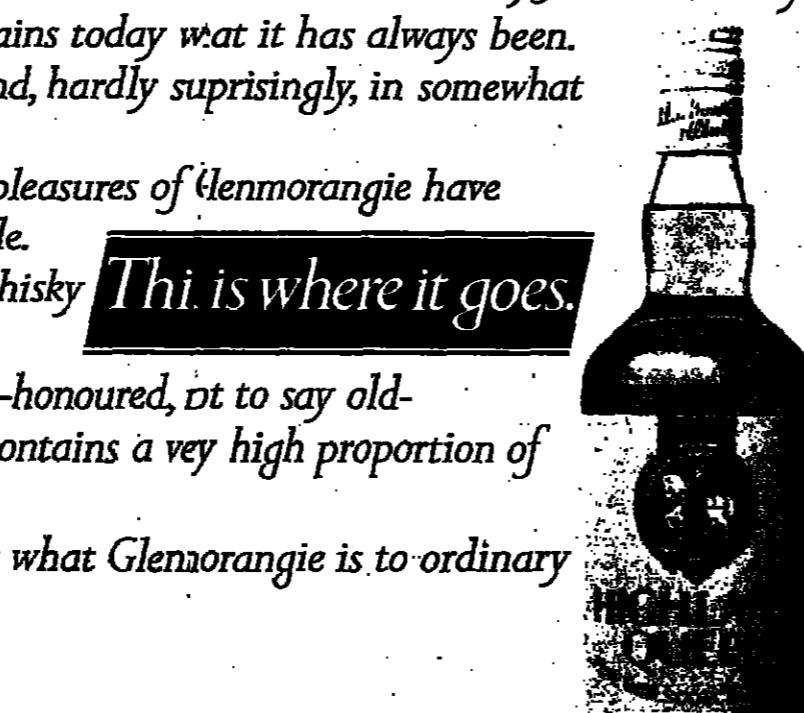
Virtually unrivalled for taste. And, hardly surprisingly, in somewhat limited supply.

Since 1894, however, the subtle pleasures of Glenmorangie have been available on a more generous scale.

It is to be found in a blended whisky called Highland Queen.

Produced very slowly, using time-honoured, if not to say old-fashioned methods, Highland Queen contains a very high proportion of malt whisky.

It is, in short, to ordinary blends what Glenmorangie is to ordinary single malts.



Hunger for energy

Nuclear power at centre of Soviet block's strategy

Eastern Europe is going nuclear at breakneck speed. Underpinned by a number of nuclear accidents and unchallenged by public opposition, the Soviet block increased its nuclear generating capacity seven-fold between 1971 and 1977 and then embarked on an even more ambitious nuclear building programme.

At its Bucharest session in 1978, the Comecon Council—the Soviet block's economic organization—decided to put all its eggs in the nuclear basket and approved a long-term development plan that placed nuclear power at the centre of the block's energy strategy.

The scope and speed of the nuclear programme can be

gauged from an internal Comecon report asserting that at present, the number of reactors with a total of 24,000 megawatts generating capacity are under construction in the East European Comecon states and Cuba.

The richer and highly industrialized states of Western Europe, which had begun their nuclear programmes much earlier, had, by comparison, a nuclear capacity of 30,000 megawatts in 1977. According to a study drawn from official projections by Professor Carroll L. Johnson of the Massachusetts Institute of Technology, the country's first nuclear plant at the country's first nuclear plant at Zaporozhye, Ukraine, will be built seven to 10 fold increase of their

capacity in the next 20 years. This means that a much less dramatic and dynamic expansion of nuclear power than in Eastern Europe.

Furthermore, owing to popular opposition and other political factors, the actual Western nuclear power capacity in 2000 might be about 30 per cent

lower than the MIT estimate.

The vast Eastern building programme is carried out with Soviet technical assistance. From the Soviet point of view, East Europe's nuclear choice is several advantages: it further integrates the economies of these states, lessens their near-total dependence on fossil-fuel energy resources and strengthens Comecon's control over their energy lifeline.

Besides, nuclear power is good business. Russia, which is reliably estimated to have 27 operational nuclear power stations and another 13 under construction, is supplying Eastern Europe with Vver-440 and Vver-1000 type reactors and the rest of the nuclear technology. There is no competition.

While the West agonized over the Harrisburg nuclear accident and its implications, Eastern Europe took additional steps to speed up its nuclear fuel production. At the Comecon Executive Committee session in Moscow last spring, Poland, Hungary and Czechoslovakia agreed to finance jointly with the Soviet Union the construction of a nuclear power plant at Kremenchuk in the Ukraine, which, when fully operational, is to provide the four countries with 4,000 megawatts of nuclear-produced electricity.

A parallel agreement was signed on the construction of a 750 kilowatt power line from Kremenchuk to Rzeszow in south Poland to link up with an already existing power transmission line between the Ukraine, Hungary, Czechoslovakia and Germany. The Polish and the Hungarian sections of the grid are to become part of a big high-tension electric power network intended to cover the whole of Central and Eastern Europe.

The project is not cheap, but the benefits are to be proportional to the investment. The Soviet Union is paying half of the estimated 1,500m roubles (£1 equals 1.52 roubles) of the Kremenchuk nuclear plant, Czechoslovakia is to contribute 235m and Poland 400m roubles. The Soviet Union is to receive half of the generated power, Poland 1,000 megawatts and the remaining 1,000 megawatts are to be shared out among the rest of Comecon partners.

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governing social and economic activities. The mass protests against nuclear power in West Europe were explained to East Germans, for instance, as being made "in conditions of growing contradictions between the possibilities which scientific progress could secure to working people and its use under monopoly-capitalist rule and property relations directed against the interests of working men".

However, under the impact of the Harrisburg accident the more worrying aspects of nuclear power began to be aired, especially in the Polish and Hungarian mass media. But this is always balanced by cogently reasoned accounts of the economic and ecological advantages of going nuclear and seasoned with sly hints at the predicament of those nations which, governed by foolish moral scruples, had put themselves at the mercy of the oil-swallows and oil shafts.

Nevertheless, public concern has been mounting and, because of a lack of frank and full information, some people in Hungary are worrying that the Paks nuclear plant might destroy the ecology of the Danube.

Others have greater anxieties. To dispel fears of a nuclear accident, the East European press has been publishing assurances of the "absolute safety" of Soviet reactors used in their nuclear programme. The Vver-440 and Vver-1000 type reactors, the Moscow journal *Novye Vremya* has

been widely quoted in the Soviet block as stating, have "three-fold safety margins as opposed to America's two-fold, thus similar (Harrisburg) accidents could never occur".

There is, however, irrefutable evidence that even graver nuclear accidents have occurred in the Soviet Union and Eastern Europe. The first accident of catastrophic proportions took place in the Urals in 1958, resulting in large-scale contamination of vast areas between Chelyabinsk and Sverdlovsk. Dr Zhores Medvedev, the exiled Russian biochemist, claims that the explosion was caused not by nuclear reactors but by nuclear waste buried at a shallow depth near the town of Blagoveshchensk. It claimed hundreds of deaths.

A second nuclear accident was reported to have taken place at the Kyshtym nuclear plant; a third in the early 1970s at the Shevchenko Breeder reactor on the Manychshik peninsula in the Caspian Sea, the fourth at a naval yard in Estonia in the mid-1970s.

In East Germany the malfunctioning of a Soviet reactor caused thermal pollution not long ago. In Czechoslovakia, there have been two serious nuclear accidents at Bohunice, according to a detailed account provided by the Charter-77 human rights group. On January 5, 1976, two technicians were asphyxiated when carbon dioxide escaped from a reactor. They were unable to escape because the emergency exit was locked to prevent thefts.

On February 24, 1977, there was a further accident resulting in the release of radioactive gases into the atmosphere. It was caused by "negligence" in the installation of a fuel rod. As a result, radioactive fluid was flushed through the plant's drainage system, contaminating a stream and exposing the nearby villages to radioactivity.

If these examples are any guide, the West European public debate on nuclear energy will be fraught with more danger than the Comecon energy chiefs have bargained for. A nuclear accident in densely populated Eastern Europe could turn ecology at present into a burling political issue with unfathomable political consequences.

Gabriel Ronay

Food Report

Grocers lose interest in the sale of food

The number of grocers' shops in Britain has halved in the past 20 years, and those which remain are quickly losing interest in selling food. That will not surprise anyone who has entered a supermarket in search of some trifling item for a meal like a pot of jam or a packet of butter.

Increasingly these days the prospective buyer must run a gauntlet of plastic gnomes, dressing gowns, sunceas and slippers before arriving at the remote region devoted to food.

On the way out, of course, he or she finds that only two of the 15 check-outs are operating, and then each is obscured by a queue of shoppers waiting to pay for £20-worth of smokies, pot plants and toy guns.

The trend away from food in the grocery trade can be felt in other ways, too.

For one thing, the Institute of Grocery Distribution, the latest edition of which received little attention, probably because the Institute charges £60 a copy for it to non-members.</

Stock Exchange Prices

Electricals lend firm tone

ACCOUNT DAYS: Dealings Began, June 16. Dealings End, Today. 5 Conzango Day, June 30. Settlement Day, July 7.

Forward bargains are permitted on two previous days

1979 AD High Low Stock	Int. Gross Price Chg/ce Yield Fwd	1979/80 High Low Company	Gross Div. Yld Price Chg/ce Yield Fwd	1979/80 High Low Company	Gross Div. Yld Price Chg/ce Yield Fwd	1979/80 High Low Company	Gross Div. Yld Price Chg/ce Yield Fwd	1979/80 High Low Company	Gross Div. Yld Price Chg/ce Yield Fwd	1979/80 High Low Company	Gross Div. Yld Price Chg/ce Yield Fwd
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THE TIMES

BUSINESS NEWS

An answering
service
with a
difference, P23

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T Gilt 69.47 down 0.31

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Table, page 25

Closure of BSR's East Kilbride plant means 2,300 will be made redundant

By R. W. Shakespeare and

Further signs of the huge shake-up of jobs occurring throughout industry was provided by announcements yesterday more than 3,000 redundancies in areas as diverse as rural Cheshire, central Scotland and the Black Country.

Foden, Britain's oldest commercial vehicle builder, is to reduce its workforce at Sandbach, Cheshire, where it is the largest single employer by 25 per cent. Meanwhile, BSR, the record changer and electronics group, is to make 2,300 workers redundant. Of these about 1,700 are based at its East Kilbride plant, now scheduled to close, and the rest are in the West Midlands.

More than 630 shopfloor and office jobs will be lost at Foden's Sandbach works by the end of September. The company is also introducing a three-day working week at its truck plants over a period of six weeks.

Foden's cutbacks is a serious blow to the Cheshire town where it was founded in 1856 and to the neighbouring areas from where it draws its labour force. Already the nearby ERF lorry plant, employing 1,300 workers, is on a three-day working week.

A Foden spokesman said yesterday that the company was being forced to tailor its

operations to a dwindling market at home and abroad. Sales had been affected by high interest rates at home and the strength of the pound overseas.

"We have gone to tremendous lengths to strengthen our product range and have in fact increased our market share in the heavy truck field, particularly with our new cab and six-wheeler vehicles. But we are operating in a shrinking market," the spokesman said.

"This is an extremely sad decision for us. We have a highly skilled flexible and loyal labour force, but there is no alternative if we are to secure the future for the company and the jobs of those who will remain."

A buffer against possibly even more severe cutbacks is Foden's strengthened position in the defence contract field, supplying heavy duty vehicles to the British Army and Nato forces as well as other worldwide orders.

In the West Midlands BSR plans to shut one factory and reduce production at three others. The cutbacks at Old Hill and Stourbridge come only three months after the company made 1,200 other workers redundant in the West Midlands after a downturn in the American market, which previously had been taking 70 per cent of

Action on car imports urged

The deepening recession has dealt car sales their worst blow. Unofficial figures for the month so far suggest sales will struggle to top 100,000—just half the number for June last year.

BSL sales are having difficulty reaching 15 per cent of the market—a figure similar to its showing in January when sales were 15.01 per cent.

Major manufacturers like Ford and Vauxhall are putting men on short time, and Talbot made 1,400 men at its Linwood factory redundant last week. BSL, too, has some short-time working.

"Unless the Government intervenes, the damage to the economy will be irreparable, and we shall have a repetition of what happened to the motorcycle industry."

A spokesman for the Society of Motor Manufacturers and

Traders commented: "Of course the figures are serious. But Britain managed to hang on to good sales figures for longer than most other western nations. The slump arrived here in April while it hit other countries late last year."

The society is forecasting total sales this year of 1.5 million, a drop of more than 200,000 cars compared with 1979. However, it gave warning that this month cannot be compared with June 1979 because that was an "odd-ball month". It was just before the major budget; increases which pushed thousands of buyers into the market place early, seeking to save money.

June sales in 1978 were 132,000, but, in the previous two years, they were also below 100,000.

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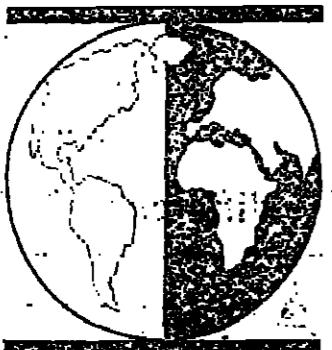
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State to run Italian SIR group

Società Italiana Resine (SIR), Italy's third biggest chemical group, is to be run under a management contract for a year by ENI, the state corporation, it was announced in Rome. SIR has claimed losses and earlier this week it said it lacked funds to pay wages for June. It would progressively shut its plants, mainly located in Sicily and southern Italy.

Signor Gianni de Michaelis, the industry minister, said the Government would give ENI up to 500,000 lire (about £250m) for the rescue and would instruct the corporation to draw up a recovery plan during the year.

ENI will not take responsibility for SIR's debts of over 3,100,000 lire (about £1.55m) or the 1979 losses of 84,000m lire (£42m) reported by the consortium of creditor banks which has been running SIR.

The Government is examining plans to split the chemical industry into a private group headed by Montedison, and a public group under ENI.

Import limit sought

Mr Robin Askew, United States international trade negotiator, said in Washington that the Americans were "seeking understandings" with Japan, South Korea and Taiwan to limit their exports of colour television sets to the United States after existing agreements expire on Monday.

\$3.500m coal plan

The United States Senate has approved a bill calling for subsidies of \$3.500m (£1.55m) to promote the conversion to coal of 80 oil-fired generating stations by the year 1985.

£50m for Malaysia

Japan's government-owned Overseas Economic Cooperation Fund has signed an agreement to provide \$118m (about £50m) credit to Malaysia to help finance port expansion and hydroelectric projects.

US steel problems

America could become as dependent upon foreign sources for steel as it already is for oil, unless federal policies are changed to help the beleaguered domestic steel industry, an unpublished Congressional study says. "The United States lacks national consensus to preserve or modernize its steel industry," according to the Office of Technology Assessment in Pittsburgh.

Bay of Bengal energy

Oil and gas have been struck for the first time in the Bay of Bengal, Mr Veerendra Patil, the Indian petroleum minister, told Parliament. He said the oil had been discovered about 40 miles northeast of Machhapuram town and 15 miles from the coast. Flow rate was over 600 barrels a day.

Huge oil output

The Soviet Union is the world's biggest oil producer and turned out a record 12.1 million barrels a day in May. 6 per cent more than in the same period last year, the private Petrostrudniy Organization has reported in Malmö, Sweden.

Third World aid

Official development assistance from Western donor nations to developing countries rose by 11.4 per cent in 1979 to \$27.300m (about £9.612m), the Organization for Economic Cooperation reports. After adjustment for inflation, the increase represents a rise of 2 per cent in real terms, slightly below the average in recent years, the OECD says.

Information order

The European Commission has announced it will order member governments to disclose information about their financial links to public enterprises in a major new initiative to eliminate unfair competition.

Summary of the Fisher report on Lloyd's self-regulation

The report of Sir Henry Fisher's Working Party on Self-Regulation covers the whole structure, custom and practice of trading at Lloyd's. The principal recommendations are:

1. The rule-making and disciplinary powers which are at present vested in general meetings of members of Lloyd's should be transferred to a new body to be called the Council of Lloyd's.

2. The membership of the council would comprise 16 working members of Lloyd's who would be elected by the personal voting of the working members, six non-working members who would be elected by postal ballot of the non-working members and three outsiders who would be nominated by the council with the approval of the Governor of the Bank of England.

3. The Council of Lloyd's would be responsible for making all by-laws by appropriate majorities, under the powers conferred by Parliament, and for all policy and strategic planning. It would be responsible for all disciplines but would delegate its powers to a standing disciplinary committee separate from the executive members of the council. The executive function carried out at present by the committee of Lloyd's would be delegated to an executive

committee of the council consisting of the 16 council members who are working members of Lloyd's. The power to make regulations for the conduct of insurance business in the market could be delegated to this committee. The chairman of the council would also be chairman of this executive committee which would be known as the committee of Lloyd's.

4. The council and the committee would be given extensive powers to regulate the admission and registration of members, agents and brokers. The registration of agents and brokers would be reviewed every five years. These powers of regulation would replace the present system of contractual understandings. In the event of any breaches of by-laws or regulations, disciplinary proceedings could be taken before the disciplinary committee and a variety of penalties would be available including fines, suspension and expulsion. Appeals would be permitted to an appeal tribunal. In the light of the new act any need for restricting the degree of ownership of Lloyd's Brokers by non-Lloyd's insurance interests (the so-called "20 per cent rule") would disappear.

5. There would also be regulations con-

trolling the activities of individuals employed in senior positions in companies or firms of agents and brokers so that proceedings can be taken to punish or exclude offenders from conducting business at Lloyd's.

6. The council would have a power, subject to suitable safeguards, to veto the appointment and employment of any active underwriter if the council was not satisfied that it was fit and proper persons to hold such office.

7. The council would be empowered to carry out inquiries into the affairs of any syndicate, broker or agent and would be entitled to make orders of suspension when necessary to prevent serious damage to Lloyd's.

8. While the council would strive to maintain the tradition of not interfering in market and underwriting activities, the council would have extensive powers in relation to premium income limits and bidding authorities, the maintenance of adequate means and deposits by all members, the provision of adequate information by agents to prospective and established members, the proper treatment of members by agents under the terms of a generally standard form of agency agreement, and the maintenance of adequate financial resources by brokers and agents.

9. The council would be responsible for ensuring a higher standard of audited accounts and reports to members by their agents and for strengthening the independence of syndicate auditors.

10. The working party, by a majority, recommends that over a period of five years, shareholding links between Lloyd's Brokers and managing agencies and between non-Lloyd's insurance interests and managing agencies should be terminated and that such links should not be permitted in the future. There would be no prohibition of links between Lloyd's brokers and members agencies.

11. All disputes between members of the Lloyd's community which did not directly involve outside third parties would be compulsorily submitted to arbitration. An arbitration panel, which would include independent outsiders, would be established to deal with all disputes referred to it.

12. The council would be responsible for encouraging the maximum possible amount of delegation of decision making and the recruitment and development of a permanent staff for Lloyd's of a calibre which will be able to carry out the additional responsibilities which implementation of the working party's recommendations will involve.

Conference points to need for emphasis on future opportunities

Chemicals hope for short recession

Makers of chemicals and those who supply them with heavy plant and equipment have been meeting in Birmingham this week to consider the future of their industries at a conference whose theme is "opportunities and constraints".

The need to plan in advance ensures that chemical leaders do not become too preoccupied with the present, but it has been difficult for many to avoid dwelling on existing constraints. When Mr Michael Bennett, vice-president of Chem-Sys International, concluded his speech with a slide bearing the message "change means opportunity", there were audible groans from some members of the audience.

In recent weeks the chemicals industry has taken a change for the worse. Yesterday Sir Maurice Hodgson, chairman of ICI, explained that the expected downturn in demand, associated with the drift into recession, had been a long time coming. Now the downturn had come suddenly and deeply.

Similar reports are coming from western Europe. BP Chemicals had a satisfactory first quarter. Since March however it has suffered "a sharp deterioration in practically all areas". A company statement said that the decline was particularly marked in the United Kingdom and construction industries is badly down.

Some companies have found sales of some products, especially bulk plastics like polyethylene, PVC, and polystyrene, down on last year by as much as 40 per cent. Prices have again come under pressure, and revived fears that the industry will be pushed into another painful hour of price cutting.

Plant loading has been reduced, and there are reports that production in the United Kingdom of ethylene—a basic building block for a wide range of

chemical products—has slumped to less than 40 per cent of capacity.

Very few companies have made money out of their commodity chemicals operations in recent years, and the Chemical Industries Association is already forecasting that investment will drop in real terms by about 30 per cent in the period to 1982, customer base for the chemicals industry is being eroded quickly and possibly permanently.

Earlier this year Mr Norman Misclen, chairman of Hoechst UK, estimated that car imports during 1979 had cost chemicals makers in Britain about £75m in lost sales. Smaller losses are being recorded across industry generally.

The decline may prove to be only short lived. Most chemical companies believe that it is explained largely by destocking by customers, and are looking for evidence of an improvement in the industry's fortunes, possibly before the end of this year. A recent Shell report on the future of petrochemicals expected about 4 per cent growth per year in sales over the next five years. Cambridge Econometrics expects chemicals industry output in the United Kingdom to grow at 3.6 per cent a year between now and 1980, against a growth in gross domestic product of only 1.4 per cent, and this is exceeded only by estimates for the output of the financial services sector, forecast to grow at 4.1 per cent.

But there are persistent dark clouds on the horizon—and as yet there is little indication that they have silver linings. In the United Kingdom it is feared that the

In western Europe, four main outlets account for about 60 per cent of petrochemicals demand: packaging (21 per cent); building and construction (16 per cent); textiles (12 per cent) and transport (9 per cent). In none of these sectors is the prospect for growth encouraging.

Sir Maurice Hodgson points to the loss of markets for fibres and dyestuffs caused by the widespread contraction in the British textile industry; and the loss of solvent, paint and plastic sales to the car industry.

He said that although companies like ICI will increasingly move production towards markets outside the United Kingdom, exports have to be built from a strong domestic base.

A related problem is that of low-cost imports into Europe and third markets from the United States, where chemicals producers benefit from artificially low feedstock and energy costs.

The industry is divided on whether American imports represent a short or long-term threat. After all American producers enjoy advantages of scale and production unrelated to feedstock costs.

In any case western producers are also likely to face a challenge from other sources—the Far East, the Middle East and the Comecon countries—in the longer term.

A study by Mr Alan Binder, of Shell International Chemical, published today, suggests that this should not obscure the fact that prospects for the chemicals industry remain good.

Meanwhile, the industry is trying to force governments and the European Community to take action to help the flood of imports from the United States. As many as 10 anti-dumping actions against American goods are being urged by CEPIC, the European Federation of Chemical Producers.

I regret that, after more than

40 years in existence in our

country I have come to share

in his apparent conviction that the

creation of effective public

support for the steps necessary to

remove inflation from the

political options of ministers

and civil servants is now

beyond the reach of our system.

But might not Professor Pearce have completed his analysis by some reference to the introduction of index-linked national savings certificates as a political conscience saver?

They give the whole game

away.

JOHN HUXLEY

46 Rotherwick Road,

London NW1

June 19.

John Huxley

By Sir John Huxley, MP for

Edgbaston, and Tamworth (Con-

stituency)

lending to higher paid executives seeking mortgages in excess of £20,000.

As the average building

society mortgage is between

£10,000-£12,000 and with bank

profits currently boosted by

high interest rates, surely it is

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to devote a proportion of their

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buyers—desperately trying to

climb on to the first rung of

the home ownership ladder.

I believe that the banks

have a particularly important

social role to play in pro-

viding mortgages for those

council tenants who will wish

to exercise their right to buy

once the Housing Bill becomes

law, particularly as significant

support for the Government's

policy of offering council houses

for sale to tenants has come

from the authoritative and

politically independent Char-

tered Institute in Public Finance

and Accountancy.

Yours faithfully,

JOHN HEDDLE,

House of Commons,

London SW1A 0AA.

LETTERS TO THE EDITOR

Bank profits should be used to aid first time home buyers

From Mr John Heddle, MP for Edgbaston, and Tamworth (Constituency)

Sir, The building societies have forecast that they face a gigantic shortfall in the level of funds required to meet the future demand for mortgages—possibly as high as £4,000m.

At the same time the major clearing banks are about to announce that they intend to enter the home loan market in the next month or so following the abolition of the controls.

I believe that the banks have a particular important social role to play in pro-

viding mortgages for those

council tenants who will wish to exercise their right to buy once the Housing Bill becomes law.

As the average building

society mortgage is between £10,000-£12,000 and with bank

profits currently boosted by high interest rates, surely it is right that the banks have a duty to devote a proportion of their funds to helping first-time buyers—desperately trying to climb on to the first rung of the home ownership ladder.

I believe that the banks have a particular important social role to play in pro-

viding mortgages for those

who carry almost no "real" interest; they are sold very successfully simply as a hedge against the future declining value of the pound.

(2) If they could be created, bought and sold, and redeemed without restriction they would very soon become Professor Pearce's new currency. They therefore been made a highly restricted privilege limited to certain classes of citizens, small in amount, and non-marketable.

Might not the enlargement and ultimate removal of the present limitations on the issue and use of these certificates provide a useful political objective for those seeking the return to a free-market economy based on a sound currency and honest government?

Yours truly,

JOHN WALLEY,

46 Rotherwick Road,

London NW1

June 19.

Seeboard decided this

BY THE FINANCIAL EDITOR

Foseco's drive for expansion

Mergers and takeovers are all the rage at the moment, and the latest is yesterday's offer by Foseco Minsep for Unicorn Industries. Unlike the more dramatic announcement from Vickers and Rolls-Royce, however, this merger is less a matter of industrial survival in an increasingly difficult world than the drive for expansion in a successful and well managed company.

Certainly the offer has much to recommend it from a purely industrial standpoint, though Foseco and Unicorn supply much the same industries—chiefly steel, construction and finishing—their products are not competitive. Both stress the degree to which they supply successive stages of the same process.

Since Foseco looked at some 55 companies before alighting on Unicorn, it is presumably happy about management compatibility, and Foseco's present finance director is the same post at Unicorn until two years ago.

Despite these positive factors the set reacted cautiously, marking Foseco down 6p to 164p. Part of the reason simply has been surprise. Although the company's balance sheet was strong at the end of the year—gearing was only about 24 per cent—there had been no hints of possible buyers. Another and major part of the reason, however, may be that it is not easy to assess exactly what the terms mean for own shareholders.

The offer consists of a choice between new Foseco shares for every five of old or a cocktail of four Foseco shares, 8.25 per cent convertible redeemable preference shares, and £3.50 per cent convertible loan stock.

The absence of cash is noticeable, though Foseco may be keeping this for a bid. The problem seems to have been that since Unicorn shares yielded 8.4 per cent for Foseco's 5.3 per cent, Unishareholders could suffer a drop of 29 per cent in income.

Foseco must also have been anxious as to retain as much relieved ACT as possible because 75 per cent of profits come abroad. Holders of Foseco shares will receive a 10 per cent cut by around 7 per cent. As the offer values Unicorn shares at 62 per cent above the price at the time of announcement it is unlikely to be

short-term excitement in the shares. Post Office orders of £330m and £400m of defence work certainly provide protection against recession but it would be rash to chase the shares to high at this stage.

Redland

Overseas strength

At first glance a Government brake on council house spending and interest rates punishing private housebuilding should mean a nasty year for building materials suppliers. But there has been a stream of surprisingly good profits from BFB Industries, Blue Circle, Marley, UBM and others. Yesterday it was the turn of Redland whose figures for the year to March 29 were good enough to lift the shares 6p to 177p.

The main reason is that the Price Commission is no more. Over the past year materials prices have risen on average by around 23 per cent. In some lines such as concrete tiles, they are about 28 per cent up, and in bricks by as much as 38 per cent.

The industry guess is that construction activity will drop by around 5 per cent this year. But if prices hold, the profits damage will not be too serious. This time round, moreover, the winter weather was a lot better than a year earlier, and several groups like Redland, have an overseas cushion.

Redland owns nearly 57 per cent of the West German building products leader Braas & Co, and it did better even than the group expected at the time of the interim figures last November.

Building up from a bad winter Braas took the credit for the way Redland's overseas pretax profits rose 57 per cent to £31.49m, thanks to a housebuilding boom. It was a different matter at home where pretax profits slipped 2.4 per cent to £15.1m but they had to bear the interest costs of acquisition; Redland Pipes made, and is still making, losses but the Redland Purple waste disposal side went ahead by around 60 per cent. So total pretax profits were £57.29m against £45.20m, or up to £5m better than some City estimates.

Heavy foreign tax, slower and domestic capital spending meant a 42 per cent jump in total tax but the dividend, 27 per cent up against the 25 per cent forecast, is still covered almost three times by earnings and the yield is 5.4 per cent. Inflation adjusted, profits too are as good as £43.5m thanks mainly to low German inflation and high earnings on capital employed, and the debt equity ratio is less than 27 per cent.

Renold

The recession takes hold

Renold is right in the thick of the engineering industry's present malaise. After a disappointing performance in the past, the sharp profits setback in 1979-80 has finally forced it to face the financial facts of life and cut the dividend by just over a fifth.

As it is Renold is having to dip heavily into its reserves to pay 11.4p a share gross after the £4m slump to £6.2m in pretax profits and a £11.2m turnaround to losses of £4.3m at the attributable level after £6.2m of reorganization and closure costs and a £1.3m exchange loss on overseas assets.

Even so the market had been fearing something worse from a group at the sharp end of the capital spending recession and there was some comfort in the fact that after more than halved interim profits the second-half was down by just under a quarter at £3.82m. And there is still strong support from a yield of nearly 17 per cent at 68p up 6p.

Renold's problem area is still the domestic market where industrial disputes have been aggravated by poor demand at home especially in the second half and the effects of a strong pound. Overseas too strikes in France and Spain have dragged down its contribution in the second half.

With high stock levels inflating working capital, Renold's cash position has been helped by the sale of its Fenner holding. Interest gearing is uncomfortably high, however, with the £4.2m comfortably more than two-fifths of trading profits.

ey

ast

good news

It does not often surprise with good. But yesterday's excellent results enough to set alight the rest of the car sector as well as pushing its shares up 18p to 178p.

30 per cent rise in pretax profits to in the year to March 31 surprised me, adding weight to the theory that management changes of recent years have paid off and that the leopard has changed its spots.

Fifths of the profit increase fell in the first quarter and was largely due to a cable performance by the telecommunications main exchanges. The engineering caused bunching of deliveries in the first quarter, the Strowger electrical exchanges finally turned into and there was also a £3m windfall from back-dated price increases.

Renold's problem area is still the domestic market where industrial disputes have been aggravated by poor demand at home especially in the second half and the effects of a strong pound. Overseas too strikes in France and Spain have dragged down its contribution in the second half.

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Business Diary: Sullivan's travels • Bankers' half measures

Sullivan, a decade ago of Chase Manhattan in London, is taking on a great job in American civil banking: chairman of executive officer of Chicago Corporation, the company of the ninth United States bank, national of Chicago.

At 49, takes over a bank like a battlefield. He has been poor, and 10 executives have been and fired in the five years. Robert Abboud became chairman.

Then fired Abboud, his outside directors for an outsider who takes a fresh start with in Chicago. Sullivan is with the New York 25 years.

Perkins, president of Chase, Chicago's other bank, who used to joke Abboud was his biggest client moved to issue a congratulating First on Sullivan's appointment.

He had been in the for the presidency of now that Willard is to succeed David Ull as chairman. But has gone to a younger homes Lebrecque, the old head of Chase's re-

One man will today take a special pride in the fine profits announced by building materials giant, Redland. He is Tony Morgan, 48, a man not unused a few years ago to the flat-tire of press tipsters, brokers and investors.

Redland was proud to announce that a key to its majestic progress was none other than the waste disposal division bequeathed by Morgan.

A former Olympic rowman, Morgan took his waste disposal business, the inaptly named

Purle, to the height of City fashion. They called him "Mr Dumper".

Recognition comes when someone wants to buy what you have. Does it? In fact Redland and Ready Mixed Concrete were founded in 1971 for Purle. Redland had the holes, Purle the muck.

Redland won, and its then chairman Lord Beeching, better known for rippling up railways than his stints at ICI and the building materials group, said the price paid was "high but reasonable".

Alas, Purle's profits were

short-lived; it has taken eight years to pull it round to Redland's satisfaction. Chairman Colin Corness said: "Morgan is a good businessman. He has real flair."

As for Morgan, he left Redland after 18 months. He is now an employee of George Winpenny, but still disposing of waste. The man once feted in a Sunday colour supplement told *Business Diary*: "For four years I have been happy in total isolation from the press. I plan to keep it that way." Oh ingratitude!

Big employers often still buy from wholesalers rather than direct from the manufacturer, possibly because the wholesaler also stocks other office products. ICI, he reckons, buys 300,000 throwaways a year in this way.

Should Sir Eric care to seek advice, he need not look far. One distinguished BBA member is Lord Armstrong of Saundness, now chairman of Midland Bank, but a former head of the Home Civil Service.

The 1971 Kemp-Jones report on conditions of employment for women in the Civil Service both improved women's treatment that set and set the pattern for the subsequent Equal Pay and Sex Discrimination Acts which did much for women in other employment if not notably in the banks.

The figures show that the banks are not doing as much as they can to promote less unequal opportunity. The Civil Service, meanwhile, is already updating Kemp-Jones.



Sir Eric Faulkner

This is *Women in Banking and Finance*, published by the Banking Insurance and Finance Union. This reminds people that over half the people employed

Richard Allen examines the Fisher report on Lloyd's insurance market published today

Wind of change in Lime Street

After 18 months and 79 rounds of discussion, a seven-man working party under the chairmanship of Sir Henry Fisher has come up with what Mr Peter Green, chairman of Lloyd's, has today described as a "blueprint for change".

He strongly welcomed on behalf of his 16-man ruling committee the report's central recommendations for the creation of a 25-man Lloyd's Council, the transfer to it of rule-making and disciplinary powers and proposals for a new Act of Parliament to give effect to the body of suggestions.

And in a move which will surprise many traditionalists in the market, Mr Green gave his full personal support for one particular proposal which if enacted will cause by far and away the greatest upheaval in Lloyd's 300-year-old history.

The proposal agreed by the majority of the working party—one Lloyd's member dissenting—is that within five years, insurance broking companies should be forced to divest their main underwriting interests within the market. It is a proposal which will lead to a bitter debate within the market and one for which Lloyd's sterner critics would hold out little hope of success within the given time-scale.

But to many in the insurance world the conflict of interest—through brokers controlling the underwriters to whom they channel business at the heart of Lloyd's difficulties—and provides the biggest obstacle to its future success.

Many traditionalists in the market will disagree angrily. Mr Green himself both a long-standing underwriter and director of a broking group once made his view clear with the remark: "You do not have to commit incest just because your mother is the only other person in the house."

But Sir Henry has come up with sufficient examples of the abuses which could occur under the present system to ensure that the problem is not swept out of sight with quite the ease it was after the Cromer report made similar criticisms 10 years ago.



Sir Henry Fisher (left), chairman of the seven-man working party, and Mr Peter Green, chairman of Lloyd's: agreement on proposals to remove conflicts of interest.

His report says that the great majority of the larger managing agencies—which control syndicates on behalf of underwriting "names"—are broker-controlled or partially owned by a Lloyd's broker. Indeed over 45 per cent of the entire underwriting capacity of the market is managed by broker-controlled agencies.

The report also draws attention to the fact that some Lloyd's brokers like publicly quoted groups, are very large and account for a high proportion of the business brought to the various Lloyd's markets. In both the marine and non-marine markets five brokers account for nearly half the business, while in the aviation market more than 45 per cent of business introduced is produced by just three broking groups.

In the view of the majority of the Fisher working party, potential abuses abound. A Lloyd's broker could put pressure on an underwriter to view as inadequate to deal with the seriousness of the

problem, the majority declares that the risks of abuses are now sufficiently well known to constitute a real threat to the good name of Lloyd's and could significantly prejudice the willingness of third parties to place business at Lloyd's or of potential members of Lloyd's to become "names" in the future.

Referring to the potential "hardship to brokers" of being forced to sell underwriting interests, the working party declares: "We believe that the mischief we are seeking to cure is sufficiently large to warrant this risk."

One member of the working party advocated stopping short of compulsory divestment by the introduction of measures to reduce interference and improved investigatory and disciplinary procedures for the detection and punishment of offences.

Dismising the dissenting view as inadequate to deal with the seriousness of the

problem, the majority declares that the risks of abuses are now sufficiently well known to constitute a real threat to the good name of Lloyd's and could significantly prejudice the willingness of third parties to place business at Lloyd's or of potential members of Lloyd's to become "names" in the future.

This could be sufficient to sway many broking groups to go along with the Fisher recommendations, but even then the argument could swing heavily on the mechanics of divestment and more importantly the price.

In referring to the potential financial effects of a forced sale the report says that it considers that a five-year divestment period ought to ease the problems of disposing of assets at a fair price.

It also says that although it is hard to calculate the amount of profit attributable to the management function of syndicates in many cases this does not amount to a significant proportion of the profits of the parent organization.

As for the problems of finding suitable buyers for the management agencies, Fisher says that in its view there would be no shortage of individuals and institutions wishing to take over control.

At what price, however, may emerge to be the financial hurdle. Although agencies have changed hands relatively infrequently in many of Lloyd's markets, claim that price involved have reflected "extremely high" earnings multiples.

Seeing themselves pushed into a "buyer's market" by Fisher's recommendations, the brokers—particularly those in public ownership will see an obligation to fight furiously to preserve their financial interests.

Technology

West Coast answering service... with a difference

Brisbane, California

The nucleus of the office of the future is to be found at work here, in the hills just south of San Francisco. What it provides is a telephone answering service, but it is a far cry from the written message in pigeon-holes procedure with which most people are familiar. Not only that: what the Voicebank Communications Centre in Brisbane is doing today the National Enterprise Board's Nexus office automation subsidiary will be doing (Sir Keith Joseph permitting) tomorrow.

The link between Voicebank in California and Nexus in Britain is the Delta computer. Historically, Delphi set out to develop an office automation system, not a telephone answering service, but it is a far cry from the written message in pigeon-holes procedure with which most people are familiar. Not only that: what the Voicebank Communications Centre in Brisbane is doing today the National Enterprise Board's Nexus office automation subsidiary will be doing (Sir Keith Joseph permitting) tomorrow.

Delphi decided that a fully automated system, though feasible, would be limited and would not match the real needs of business people. It was essential, the designers decided to "include an operator in the loop". Thus the elements of the system included a large, reliable, expandable and flexible computer, an ability to handle various means of communication, and the participation of a human operator.

In many ways the requirement to handle voice communications is more difficult than those of data, text and images, and so the decision was taken to tackle this first. To get experience in the real-life use of such a system, Delphi decided to "put a business in" — ie, to operate the Voicebank centre.

The technology of the Delta

is ingenious—the different requirements of information processing, file services, interactive services and "real-time" (eg, voice) operations

are handled by four separate sections of the computer, which can easily be expanded or changed.

But the most time-consuming part of the development task proved to be not the technology—but the "human engineering"—the effective blending of the human and machine abilities into a responsive system.

"Our operators provide the binding, the coupling, the intelligence", says Mr Art Rosenberg, product planning manager of Voicebank. "There are rules of judgment—and the rules change."

The resulting Voicebank operation, in its basic form, provides a call screening or filtering service in which the elements of the system included a large, reliable, expandable and flexible computer, an ability to handle various means of communication, and the participation of a human operator.

Thus the operators can, in effect, change their identities according to the number being called. They know the basic facts about the client they represent and can act to a large extent as if they were full-time secretaries on the client's premises.

Similarly, when a caller dials the number of a Voicebank client, the Delta system identifies the organization or person being called and immediately displays relevant information on it, him or her on the screen of the operator.

Clients also call in with a range of ad hoc instructions.

No Voicebank operator

operator replies: "Hi, this is Stephanie, may I help you?" for example, to be told: "I'm stepping out for ten minutes, would you take over?"

On to this basic answering business Voicebank has grafted a range of other telephone response services. These include order taking, special offer processing and the dispatch of service engineers.

They also include in a limited way only at present, the use of voice recordings to which a caller can listen without having to involve the Voicebank operator.

This allows long, technical or personal voice "memos" to be handled. In a more advanced form this is clearly one of the key elements in the development of future office automation systems.

Voicebank of Brisbane handles about 24,000 calls a day from Monday to Friday, or about 100,000 in a full week, on behalf of about 4,000 clients. It is done with maximum of about 40 operators, falling to two on the "graveyard" shift at midnight.

For the future, Delphi envisages a network of Voicebank centres across the United States.

Kenneth Owen

FINANCIAL NEWS

Stock markets

Prices drift as profit-takers move in

The overall stock market picture was dull yesterday, although a few sectors provided notable exceptions, including oils, electricals and the Australians. Euphoria opened extremely well after Sir Geoffrey Howe's speech at the Carlton Club where he urged moderation over pay and hinted at increased optimism over inflation in future.

But the euphoria was short-lived as the end-of-account profit takers moved in and the market soon started to drift, although jobbers believed there was a firm undertone to trading.

Company news also provided many of the day's features. Plessey's and Electrocomponents figures ensured that the sector was the equity leader all day.

Gains were more disappointing as the two new caps received an unenthusiastic reception. The longer-dated Treasury 13 per cent was activated at £30. The Government broker tried it at £30.1, but with no buyers, withdrew after which dealers saw some profit-taking. But there was no interest in the shorter-dated stock which remained at its parity paid £40 price.

Margins continued to fluctuate all day and finally closed at Wednesday night's levels, while shorts finished about £3.15 down although some had been as much as £1 better during the day.

The FT Index, which was a fraction down for most of the day, closed at 466.7 up 0.8.

Leading industrial stocks showed little change on the day as there was not much turnover. ICI managed to climb 8p to 390p on the strength of the oil find in the Ninian Field, but finished back at the previous night's level of 382p. Unilever dipped 5p to 471p. Glaxo at 244p, Beecham at 140p, Cour-

taulds at 73p and Dunlop at 79p were all unchanged, and E&I Industries slipped 3p to 25p.

But Blue Circle bucked the trend up 2p to 350p, strengthened by Redland's 5p rise to 177p on its results.

Company results also en-

sured a 7p rise to 82p from Anderson Strathclyde after news of a £6m rights issue and a 43 per cent profit increase.

Burnett and Hallamshire added 15p to 670p to celebrate more than doubled earnings.

Renold jumped 6p to 68p after hours with news of a significant second-half recovery. The earnings and dividend cuts

had already been discounted.

Plessey added 18p to 178p on its

results, while Electrocom-

ponents gained 25p to 585p

after better than expected

figures. This helped to push

prices in the sector up to some

of their highest levels. Ferranti

moved up 22p to 599p, Thorn

EMI finished 4p better at 292p,

while GEC was 6p up at 408p.

Racial gained 9p to 270p.

But the problems of the car

industry were sufficient to push

engineering stocks down several

pence. GKN closed 5p off at

258p. Lucas lost 4p to 200p and

Tube Investments was 2p

lighter at 270p. Henlys' interim

results ensured a 3p drop to 70p but Rolls-Royce Motors re-turned from suspension 4p better at 65p, while bidder, Vickers lost 4p to 126p. Unicam Industries hardened 2p to 124p on the offer from Foseco Minsep, which dipped 3p to 164p. Revertex gained 2p to 51p after rejecting terms from Yule Catto which gained 4p to 115p.

A property revaluation helped Milford Docks by 20p to 173p but Mothercare dipped 18p to 248p on the chairman's statement.

Lonrho moved over the 100p

mark by gaining 5p to 101p as rumours persisted that results

were imminent but Horizon Travel was hit by the spate of bombings in Spain and lost 7p to 263p.

The oils sector continued to bubble away on the strength of the Ninian field oil find, although prices closed off their best with profit-taking. BP,

With the 12-month period since BTR made its unsuccessful bid for Bestobell drawing to a close, the market is waiting to see if BTR will try again. Yesterday, the share price went up 4p to 330p, while Bestobell gained the same to 238p.

which announced the find on

Wednesday, added 4p to 380p, despite brisk turnover, our partner, Lasmco held its 35p gain to 75p. Ranger Oil,

which is also involved, added 51p to £144 and Tricentrol performed well rising 4p to 355p. Shell dipped 2p to 402p, but Ultramar gained 2p to 376p.

The secondary oil stocks also forged ahead with Berkeley Exploration rising to 238p at one point, although it finished at 261p, down 2p.

Equity turnover for June 25

was £113,666 (number of bar-

gains 15,555).

The most active stocks, according to Exchange Telegraph were: Lasmco, Premier, Plessey, Charterhouse, Rolls-Royce Motors, Unilever, BAT Industries, Boots, European Ferries, GKN, Marks and Spencer, Burnside, Allied Breweries and Beecham.

Traded option contracts amounted to 1,088, despite the drift in equities. In traditional options, calls were produced in Debenhams, Premier, Woodsidc, Lasmco, Avana, M. L. Meyer and Lonrho. Puts were arranged in Woodsidc and Berkeley Explora-

Cash call for £6m by Anderson Strathclyde

By Philip Robinson

Anderson Strathclyde, the mining and industrial equipment makers on which Charter Consolidated staged a "down

raid" in the market to gain a 28.4 per cent stake, yesterday launched a rights issue to raise £6m.

Shareholders are being offered one new share at 65p for every four already held. The issue price was at a 16 per cent discount to yesterday's opening market quote, but jumped to 27 per cent as the shares added 7p to 82p last night.

What sent the shares rising — an unusual trend when companies try to raise cash from the market — was Anderson's 43.6 per cent lift in pretax profits for the year to the end of March, a 33 per cent dividend increase, and a board promise to at least maintain the dividend for the year, although it feels it imprudent to forecast the year's profits.

At the pretax level, earnings rose from just over 54p to 55.66p on a 5.5 per cent advance in turnover to £72.3m.

The gross total dividend is 5.7p with a 4.28p final.

The figures surprised the market, bracing itself for bad news after the interim statement in November revealed that the group had suffered badly from a domestic strike followed by the national industrial disputes in August and September. The first half results showed a loss of £1.43m.

Anderson is the second manufacturing company and the first engineer to ask the market for money this year.

It needs it, says the board, because increases in working capital requirement caused by inflation have been financed out of the group's own resources and borrowings. At present the group has £65.5m and bank overdraft of £4.2m.

The group says it is nothing specific in mind for the new cash, but much of it is likely to end up expanding Anderson's small United States offshoots where "opportunities for further expansion now exist" as the worldwide demand for coal increases.

Half-time results slump at Henlys

By Bryan Appleby

The full force of BL's in market share and the thin profit margins to be on its cars, car distri-

Henlys in its first half to £1

£1.43m from £1.436m on run-

down from £100.5m to 95.

Below the line, the pi-

looks a bit rosier, thanks

£713,000 "extraordinary

£1.436m.

Mr G. R. Chandler, chair of

the close branches. These disposals

£600,000 in all.

Further shares are now b

with a total b

value of £2.25m.

The turnover fall was

truly due to the fall in t

sold. Although the car ma

the whole was slightly up

in the period, BL's penetra

stated.

However, Henly's sit

moves away from BL de-

have started taking of

following the acquisition of

major Ford dealership in

fast and a Renault business

Manchester. Last year, non

trading profits and t

portion will have been hi

this time.

This movement away from

has also led the company to

look for diversifications i

linked fields. Though

balance sheet has deteriora

since the year-end, it s

appears to be strong enough

bear some acquisitions.

The interim dividend i

been maintained at 4.3p gr

and "provided that there

signs of improvement at

time of the final results, board intend that the final

maintained".

Liquidator for cargo airline

Shareholders and creditors of

Gatwick-based British Cargo

Airlines, which called in

receivers to handle its affairs in

April, will meet in a Sussex

hotel today to appoint a

liquidator. The airline, formed

last August following a merger

between IAS Cargo Airlines and

the Stansted carrier, Trans-

American Air Cargo, employed

nearly 600 staff in the United

Kingdom and in 10 overseas

countries. It was a public

quoted company following its

entry into the unlisted securities

market in January, 1979.

Meanwhile, capital employed

is now almost £25m, increasing

asset value a share by 86p to

34p. Despite this heavy invest-

ment, gearing remains low.

The group is seeking acquisi-

tion both at home and abroad,

and profit progress so far, Mr

Helsby considers, "sets a plan-

form for future stable growth".

The shares rose 15p to 670p

yesterday.

Profits doubled at Burnett & Hallamshire

By Our Financial Staff

Burnett & Hallamshire pro-

fits from its motor prod-

cts jumped by 35 per cent

last year to £701,000, at

a shade over £2m by pre-

tax profit.

Shareholders will receive a

final dividend on the ordinary

and "A" ordinary shares of

3.214p which, with the interim

of 1.428p, gives an 18 per cent

increase in the total payout at

4.642p.

Meanwhile, capital employed

is now almost £25m, increasing

asset value a share by 86p to

34p. Despite this heavy invest-

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FINANCIAL NEWS

First downturn in five years at ACC

Associated Communications Corporation, the television, films and property group headed by Lord Grade, yesterday reported its first fall in profits for five years. For the financial year to March 31, pre-tax profits are down from £16.3m to £14.1m on sales up from £134m to £167.5m.

The group has been affected by a slump in television profits, high interest charges and overruns on the film "Rock the Titanic" which opens in Boston, Massachusetts, July 30. The final dividend is, however, maintained at 4.9p a share.

The market was expecting bad results and the "A" shares were only a shade easier at 34p. Most of ACC shares traded on the Stock Exchange are non-voting "A" shares.

At the interim stage profits were down from £6.1m to £5.7m

and the fall accelerated in the second half when profits fell from £10.2m to £8.4m. On Wednesday ACC announced that it was merging its lossmaking subsidiary, Precision Records and Tapes, with a subsidiary of RCA, the American group, into a company to be called RCA Records/PRT in which ACC is to have a 49 per cent stake.

The profits are complicated by the existence of large sums debited on "extraordinary items" and a huge fall in taxation. Extraordinary items are up from £16.4m to £1.02m and is down from £7.5m to £1.9m. The net effect of this is that profits available to shareholders are down by nearly 30 per cent at £11.16m.

The results from individual divisions do not present a uniform pattern. The independent ACC £3.5m, caused profits to



Lord Grade, chairman of Associated Communications.

profits. It was probably inevitable that rising costs and interest charges brought charges attributable to the holding company, including interest, up from £729,000 to £444,000.

There are various uncertainties affecting the future of ACC. Lord Grade has staked a lot on a push into the highly competitive American film market, and the success or failure of the film division will largely affect future profitability.

At home the recession and almost certain fall in discretion spending will adversely affect the group, as will the split of its Midlands television franchise into two regions.

On the more positive side is the undoubted potential of home video, systems and ACC's ability to gain a large share of the market.

Electronics group beats forecast by £500,000

By Peter Wilson-Smith

Electrocomponents ended the year to March 31 on a strong note despite the caution sounded by the company at the interim stage. After rising by 26 per cent in the first half, profits of the electronic component distributor increased by 34 per cent in the second half.

This left the year's pretax surplus up by 30 per cent to £13.1m—about £500,000 above expectations. Group turnover was 29 per cent higher at £57.3m reflecting both volume growth and a substantial element of price increases.

The shares rose 25p yesterday to 585p where they yield 2.1 per cent following the one third increase in the total dividend to 12.5 gross. On a full tax charge the p/e ratio is 18.7.

Mr Ronald Marler, the chairman, says this year will be tougher. Customers are becoming more conscious of expenditure and taking steps to curtail or slow it.

However, he points out that R.S. Components—the main distribution company, accounting for perhaps three-quarters of group sales and profits—sells largely to customers involved in maintenance and research and development rather than production. This should, he thinks, provide some protection from the recession.

"I expect growth this year," said Mr Marler, "but by golly we are going to have to fight for it."

Electrocomponents has continued to generate surplus cash despite having to finance higher working capital needs.

Cash balances of £5m at March 1979 and £12.5m during 1979-80 and higher interest rates will have contributed to the profits rise, although the group does not disclose the figure until the accounts are published.

Year-end stocks will also show a sizable increase, reflecting both inflation and the higher level of business. At March 31

Electrocomponents was carrying just over three months' stock, compared with just under three months at the previous year end. However, stocks have been cut at Electrophones, which sells to high street electrical retailers, an other areas.

Electrocomponents' earnings almost all of its profit from component distribution in contrast to companies such as Unitec and Farnell, of which it is often compared, but which have larger manufacturing operations.

Electrocomponents has con-

tinued to expand its catalogue to include more high-technology solid state products.

Harris sells credit group

Harris Queensway, the furniture carpers and DIY group which made a successful £15.5m takeover bid for Henderson-Kenton two months ago, has sold HK's credit business to Tricity Finance for £12m.

Proceeds of the sale will be used to reduce Henderson-Kenton's borrowings of between £4 million to £5.5m. The remaining £7m will be used to develop the existing business.

The dividend is raised from 1.67p to 1.85p.

Over the full year the group does not expect to reach last year's level of net profits.

Durapipe holds payout after profits slide

Durapipe's international profits rose 1.5 per cent for the year to March 31 from £12.5m to £14.3m but pretax profits from £1.5m to £805,000.

Earnings a share were 6.58p against 8.47p and the dividend was 3.7p against 3.35p.

The board says that the Middle Eastern and Australian ventures are now proving worldwide, but the American corporation will not be truly successful, despite the action being taken, until the economic situation in the US improves.

At home, the recession is having a marked effect upon the engineering company and Durapipe is experiencing a downturn in demand.

Whatlings turns loss into profit

Due to cash flow problems, Amalgamated Industrial's board has decided that it would not be practicable to recommend the payment of the interim dividend on the 10.6 per cent cumulative second preference shares.

It is hoped that the resumption of dividends can take place in the future. It is also possible that the next dividend on the shares will be passed, but the board will give consideration to it at the appropriate time.

There should, however, be no question of the payment of interest due on the debenture stock 1983/94 in the company.

Hardys and Hansons rises 24.7 per cent

Hardys and Hansons reports a turnover for the half year to March 31 of £5.625m against £5.227m. Taxable profits rose 24.7 per cent to £1.17m. Earnings a share were 11.275p against 9.035p. The interim was 4.48p gross against 3.7p.

The profit includes dividends and interest receivable, less interest payable at £210,000

against £113,000. The profit on turnover of £5.625m against 2.84m.

Earnings a share were 11.275p against 9.035p. The interim was 4.48p gross against 3.7p.

The year as a whole will result in a record turnover, which is partly due to the high rate of inflation, the board says.

Government statements re-

garding lack of growth and cuts

in public expenditure continue to depress margins and make the future workload uncertain.

Nevertheless, the directors are confident that there will be a further improvement in the position now reported.

Flexello profit more than halved

Turnover of Flexello Castors and Wheels inched ahead to £55m for the half year to March 31, but pretax profits were more than halved from £4.26m to £170,000. However, the interim is held at 2p gross.

Although trade compared with the previous year was good between Christmas and Easter, it has since been disappointing.

Electrocomponents' earnings

rose 24.7 per cent for half year

Turnover of Lonsdale Universal rose by 19 per cent to £21.8m in the six months to

March 31.

The board warns shareholders that profits for the year

may not reach the record level

of last year when conditions were more favourable, but it expects the results to be reasonable in the light of the present economic climate.

WHAT SORT OF A COMPANY ACHIEVES RECORD PERFORMANCE IN A RECESSION?

Five years ago Plessey intensified its plans to improve efficiency, increase sales, raise profitability, and strengthen the balance sheet.

Now, despite many adverse factors, including the 1979 UK engineering strike, soaring interest rates and a deepening world recession, that strategy is paying off. We have achieved record results.

Profits before tax are up 30% on the previous year, and we now have a stronger balance sheet and improved cash flow.

The reason underlying our success is that we have planned our manufacturing and trading operations to dispose of loss-making activities, prune product lines, and greatly increase our emphasis on worldwide marketing. Profitable new products have been introduced to meet customer needs in advanced electronics and communications.

Total debt and the ratio of borrowings to equity have been reduced. This strategy increased sales by almost 16% last year while capital employed remained almost constant.

Earnings per share before extraordinary items of 16.7 pence increased by 28% over the previous year.

The total dividend proposed is 10% higher than last year and is covered 2.4 times by earnings before extraordinary items.

Our progress continues in the current financial year. The telecommunications business following the elimination of losses at Liverpool is now well set to take advantage of a much improved product line in the new technologies. The regrouping of our micro-electronics activities into a new Solid State Division is progressing under good management. Electronic Systems, Aerospace, Mechanical Engineering and Components are also performing well.

Plessey looks forward to continuing improvement in both efficiency and profitability.

Sir John Clark
Chairman and Chief Executive

PLESSEY GROUP

Operating internationally in 131 countries

The Plessey Company Limited
An extract from the 1979/80 preliminary results
(unaudited)

Figures in £000's	12 months to March 31 1980	12 months to March 31 1979
Sales	751,000	648,300
Operating profit	66,301	44,589
Profit before taxation	60,099	46,248
Earnings before extraordinary items	39,630	30,884
Earnings after extraordinary items	34,904	28,023
Dividend (pence per share)	6.938p	6.307p
Earnings per share before extraordinary items (pence)	16.70p	13.05p
Earnings per share after extraordinary items (pence)	14.71p	11.84p

The recommended final dividend of 4.010 pence per share payable on January 2, 1981 to shareholders on the register on November 14, 1980 if approved, together with the interim dividend already declared, will amount to 6.938 pence per share for the year, compared with 6.307 pence per share in the previous year.

The Company's full Report and Accounts will be posted to shareholders on August 4, 1980. The Annual General Meeting will be held on August 29, 1980 at Millbank Tower, Millbank, London SW1.

063120133

Derbyshire mine issue announced

By Michael Prest
Mining Correspondent

Hard on the heels of the public offering of shares in South West Consolidated Minerals comes another new British mine, SPO Minerals. About £1.1m is to be raised by placing 1.5m shares at 80p, for barytes, lead and fluorspar mine in Derbyshire.

The guiding force behind the venture, which is being brought to the market under Rule 163 (2) by Grindley Braddits and Carr Sebag, is Mr Robert Sprinkel, the American entrepreneur who played a major part in rescuing Wheal Jane, the Cornish tin mine.

A further £900,000 is to be raised as lease finance from the International Energy Bank. About 16 per cent of the new shares will be placed with jobbers, the remainder with institutions. It is understood that Mr Sprinkel was especially anxious to place as many shares as possible publicly.

Barytes is a mineral with a very high specific gravity used for preventing blowouts in oil wells by weighting drilling mud. It also has lubrication qualities. SPO, which takes its name from the South Pennine Orefield, will refine the ore from old mine dumps in the Pennines and sell it on long-term contracts to North Sea users.

Contrary to our report of yesterday, we accept that Mr John Bentley, Chairman of the Tebbitt Group, was in no way connected with the successful Barclay Securities companies when, as part of Vassarose, Vassarose crashed during the 1974 property crisis; and that following the disposal of its annuity interests, the Tebbitt Group is no longer loss-making. We apologize to Mr Bentley for his inadvertent error.

CAPITAL SPENDING

Figures published yesterday by the Department of Industry for the fixed capital expenditure of manufacturing, distributing and services for the increase in the value of stocks all seasonally adjusted at 1975 prices.

Item	1978	1979
Total	8,562	8,855
Net	9,084	8,858
Less	2,108	946
Less	2,160	970
Less	2,129	966
Less	2,170	971
Less	2,155	974
Less	2,297	948
Less	2,311	978
Less	2,282	988
Less	2,271	925
Total	8,562	8,855
Net	9,084	8,858
Less	2,108	946
Less	2,160	970
Less	2,129	966
Less	2,170	971
Less	2,155	974
Less	2,297	948
Less	2,311	978
Less	2,282	988
Less	2,271	925
Total	8,562	8,855
Net	9,084	8,858

Bank Base Rates

ABN Bank 17.5
Barclays Bank 17.5
BCGI Bank 17.5
Consolidated Crtds 17.5
C. Hoare & Co 17.5
Lloyds Bank 17.5
London Mercantile 17.5
Midland Bank 17.5
Nat Westminster 17.5
RBS 17.5
TSB 17.5
W. G. & G. Givins 17.5

* 7 day deposit on £10,000.00 and £10,000.00 over £25,000 15.5%.

CFP lifts interim dividend

£10,000 plus Appointments

Confederation of British Industry DIRECTOR-GENERAL

The CBI is seeking a successor to the late Sir John Methven. The Director-General is the Chief Executive of a major representative organisation, the primary task of which is to promote the interests of British business.

A candidate for this post must have a record of considerable achievement in business and must be committed to the objectives of the CBI. A candidate should also have the ability to communicate effectively at all levels.

Those who wish to be considered, or who wish to nominate a candidate, are asked to write or to telephone the management consultants who are advising on the appointment:-

The Managing Director
Spencer Stuart Management Consultants
Brook House, 113 Park Lane,
LONDON W1Y 4HJ
Tel: 01-491 3866

All such letters or calls will be treated in complete confidence.
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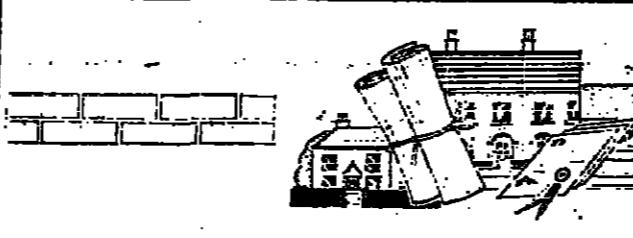
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& W9. PRICES FROM

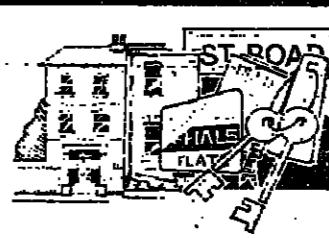
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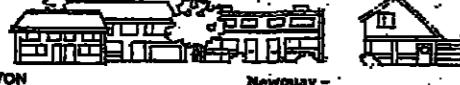
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Difficult end of market

If you get for £35,000 and in 1980, as always, where you want to live, quick ring round the market shows that the sum is sufficient to buy a small detached house or a small overall (no land or sea) a commodious ruin in the Cotswolds; a comfortable four-bedroomed (sic) cottage in Hampshire; a small, uninhabitable single flat in 'Chelsea' parts of the west Midlands; and industrial York; it will buy a terrace of small cottages, if these (various options) it is using an ancient monastic in the shape of a listed building on a derelict site, in urgent need of repair and rescue. In every area of Britain O still buys the myth-average" second-hand with the cost of the left over (though, it is admitted, in the case of London only just), on of average second houses is currently from £10,000 to £15,000 for second-hand, and more in North, North-West, east and (Wales) to double. £32,000, in London. houses are generally expensive, but again within the £35,000. One factor which has kept the first home market relatively stable is the increasing number of single people who are taking the plunge seems to have been by themselves. Stoke Newington and Fulham, it et, though, it is clear appears are full of youngish properties under career women setting up in are just as various, little have Victorian cottages indeed considerably and forgoing the dull cares numerous than those of the office by covering everything from the window of any area of down to the four-poster bed.

They seem very happy on

the housing market as being depressed now would be wrong. Mortgage tax relief still makes a house a safer bet than British industry for anyone willing to invest. But in the market place, if the rise in house prices has been slowed, and the market dulled, it is the lower price range that has suffered.

First-time buyers are still coming forward, and there is mortgage money to be had without undue difficulty. But we are now reaching the position where the limit on mortgage tax relief, set in 1974 at £25,000, is beginning to affect even young couples with their eyes on their first home.

It is no unusual thing these days for a married couple, both working, to muster a joint income of £11,000 or even £12,000 a year—which would merit a mortgage in excess of £25,000 within their aspirations. The denial of relief added to the already record level of the mortgage interest rates, lessening their sights and, stiffening competition in the bargain basement, makes things even harder for the less well-off struggling to get their first foot on the ladder.

In opposition the present Chancellor clearly emphasized the importance of retaining the real value of mortgage tax relief allowed. To retain the real value of the limit set in 1974 at £25,000, the ceiling would now have to be doubled—in £50,000. Yet two budgets have now passed, and Sir Geoffrey has still not acted.

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Robin Young

Where the Bow bells toll

Visitors to the Isle of Dogs, that wedge of Tower Hamlets crooked in a U-bend of the Thames, are not immediately struck by its warm and homely associations. Most of the area is wasteland or semi-rerelief dock, although there is a scattering of grim-looking flats around the perimeter. So the notice Dogs—erected to the Isle of Dogs—erected to the Isle of Dogs—erected to the Isle of

John Field informs me from an arched bridge that used to span the Lea, built in the reign of Henry I. But nothing from that time survives, and the book is less informative on the most interesting architectural phenomenon in the area today, Tredegar Square, a surprisingly handsome square of white stucco houses erected in 1835. Many of these houses have since been restored, and one estate agent told me that "MPs" (unspecified) live here; this need not necessarily lower the tone.

Where stagnation has really set in, it appears, is among those who would be now considering changing house for the first time, people for whom the average house is probably the next step. The difference, however, is that while first-time buyers are by nature impatient, the houseowner thinking of a change is aware that the decision can be deferred.

Stamp duty is a hefty disincentive to moving a house a second time. On the £35,000 house it amounts to £475.

Beware. On the house costing £35,000 it drops to £700.

Its revenue implications are

much more considerable for the Government than those of mortgage tax relief, so there is probably little hope here of further important change in the near future.

Estate agents and solicitors are used to stamp duty, sweep the cost of buying a £35,000 house up by an estimated average of £1,500, and that is before you have thought of the removal men, or the costs of selling a house already owned.

The advice is to shop around for solicitors when buying (estimates and final bills do vary widely); and estate agents when selling (same applies), or indeed to consider undertaking the work yourself. Helpful publications are available from bookshops or Consumers' Association, Caxton Hill, Hertford. SC13 7LZ.

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tube station last summer may discourage some people from catching the last train.

These social ills are no worse than those of Islington, which the first "tenancy" moved in. The strongest argument against the East End ever now acquiring the fashionability it has never had (or probably desired) is its geography. Bow has a comparatively large extent of intact nineteenth century terraces. What is now called Docklands is now an island. Docklands' present character as a whole is

one area still has a sufficiently compact identity for change to be general. Spitalfields, in the east of Liverpool Street, is run down and decayed with destruction, selling them later—on a non-profit basis—to owners who will restore them. Last year the Tower gold chain houses in Elder Street, which had taken the unusual measure of restoring. The price was £60,000 for each, although unresourced houses cost anything from a few thousand pounds up.

There are other inner London areas apart from the worst areas of urban deprivation in London. Yet it paradoxically contains property of extraordinary potential for public or private housing.

There may be disappointments, however, for the adventurous buyer who hopes that in the East End he will find a house that is both close to central London and cheap. Wherever he looks, some will almost certainly have been there before, cheque book in hand. Going without local shops, transport, or amenities is not, unfortunately, enough to guarantee a bargain—unless, as seems quite likely, a quarter of a million will seem a snap for anything in 10 years time.

Buy to let is as the recently published *Place-Names of Greater London*, by

survived so far stands a name to the more general chance of remaining. In 1877, the Spitalfields Historic Buildings Trust was formed to buy houses threatened with destruction, selling them later—on a non-profit basis—to owners who will restore them. Last year the Tower gold chain houses in Elder Street, which had taken the unusual measure of restoring. The price was £60,000 for each, although unresourced houses cost anything from a few thousand pounds up.

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Clive Aslet



Illustration by Lee Duff

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In delightful High Street, modernised terrace cottage with C.H. Dates from 1820. Living room, kitchen/diner, 2 bedrooms, bathroom, good garden. Total outbuildings £22,750. Freehold. Tel. 1077161 4373

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3-bedroomed town houses, £39,500.

BRENT — Contact the Barrell Association on (01) 887 0007.

1- and 2-bedroom luxury flats available late summer 1980.

SHREWSBURY — Contact the Shrewsbury Association on (0563) 24057.

3-bedroomed town houses, £35,000.

CRAWLEY — Contact Philipa Hale on (0345) 2567.

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Motoring

How Japan halved its road deaths

Japan has produced some remarkable motoring statistics, and the least is that only half as many people are killed on the roads now as 10 years ago.

Road casualties fell everywhere after the oil crisis of 1973-74, but in most countries it proved to be a temporary phenomenon caused by motorists driving less, and more carefully, under the threat of petrol rationing. As the threat receded the figures began rising again.

In Japan, however, the reduction has been much greater and longer-sustained. If the oil crisis was a factor, it cannot have been the only one. There are, in fact, a number of possible explanations.

Road deaths in Japan rose steadily during the 1950s and 1960s, reaching a peak of 16,765 in 1970. Japan had one of the highest casualty rates in relation to vehicles on the road of any developed country.

There seemed to be two main reasons. The first was a rapid increase in the numbers of vehicles from 1.5 million in 1955 to 17.5 million between 1955 and 1970. During that period a high number of new, inexperienced drivers came on to the road.

A joke was told that after the Second World War the former kamikaze pilots became taxi drivers in Tokyo. But so appalling was the standard of driving that they wished for their old jobs back as being less dangerous.

The other factor was that road building had not kept pace with the increase in traffic. Even major roads were of poor quality and, until recently, Japan still had fewer miles of motorway than Britain; and motorways, for the traffic carried, are easily the safest type of road.

The Japanese, in effect, declared this appalling toll a national disgrace. A government traffic safety committee was set up, chaired by the Prime Minister, and it inaugurated five-year plans to reduce accidents.

The first started in 1971 and it was followed by a second which runs out in December. The results have been little less than sensational: by 1978 road deaths had fallen to 8,783, a drop of 47 per cent over the 1970 level, while injuries over the same period fell from 98,000 to 59,400; and all this while the number of vehicles on the road doubled.

A White Paper issued in 1979 gave much of the credit to the development of what it called traffic safety

facilities. It pointed out that the country had twice as many miles of pavement in 1978 as in 1970, six times the length of bicycle paths, five times as many road signs and four times as many traffic signals.

The roads became steadily better and the motorway programme at last got under way. Some concession was made by better standards of vehicle safety. Judging by the first examples to reach Britain, the typical Japanese car of a decade ago was sufficiently primitive in its handling to catch out the inexperienced driver.

Much emphasis in the five-year plans was put on road safety education, with campaigns aimed particularly at the most vulnerable road users: children, old people and the handicapped. That seems to have paid off, for accidents involving these groups have been steadily decreasing.

Legislation has also played a part. While Britain and several other countries have a legal blood alcohol limit of 80 milligrams per 100 millilitres, Japan has made it an offence to drive with any alcohol in the blood. In spite of, or perhaps because of, this the number of drink driving offences has continued to rise.

The impressive fall in road casualties has been achieved without resort to a law which many would consider the most obvious: compelling the use of seat belts. In 1971 drivers in Japan were officially advised to wear belts but there were no penalties and no enforcement.

Driving a Datsun immediately after an Alfa Romeo made one wonder how two companies with such different philosophies of car design can find themselves contemplating if not marriage at least an intimate relationship. The car which Alfa and Datsun are planning to produce

ment. Only 6.6 per cent of drivers complied, and by 1978 the figure was still only 20 per cent (against about 33 per cent in Britain).

In Britain we tend to congratulate ourselves on having one of the better road casualty rates, and deaths last year were the lowest since 1958. But Japan now has a much more impressive record, and the lesson from that country seems to be that progress can be made, if not by a national will to do.

Datsun Bluebird

Driving a Datsun immediately after an Alfa Romeo made one wonder how two companies with such different philosophies of car design can find themselves contemplating if not marriage at least an intimate relationship. The car which Alfa and Datsun are planning to produce

in southern Italy should be one of the motor industry's more interesting mongrels.

Alfa Romeo, particularly with its Alfetta which I enthusiastically reviewed last week, has built up a reputation for technical flair for producing a driver's car. Datsun (and this is characteristic of the Japanese in general) is in the business of making reliable cars at the least cost, which tends to mean engineering that is simple, conventional and straightforward.

On paper the latest Bluebird, a medium saloon in the Ford Cortina mould, seems to represent something of a departure from this norm. It was one of the first Datsuns with independent rear suspension; now, belatedly, it has adopted rack and pinion steering, a system widely considered to be more precise than

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On paper the latest Bluebird emphasizes the comparison with the Cortina. The cars are similar in shape and size, and I found myself wondering, as I drove it, if the Datsun Derivative or not, the new body has produced a welcome improvement in passenger space. Japanese cars are often cramped in the back; this one is a full four-seater, even the coupé model I have been testing, which is more a saloon with two doors than a

coupé in the traditional sense. The boot, which like the Japanese model, can be opened from inside the car, is wide and deep but shallow.

To give the coupé a sporting flavour, it has been fitted with the most powerful 90 bhp twin carburettor version of the venerable Datsun 1700 cc overhead camshaft engine which drives the rear wheels. Performance to 60 mph in around 12 seconds (not speed nodding 100 mph) is acceptable and the engine quiet unless extended further than most drivers would want. At 70 mph wind is far more intrusive than mechanical noise.

Official figures suggest a heavy fuel consumption, but I managed nearly 30 mpg in town and, using the standard five-speed gearbox, 36 mpg on the open road.

The seats are well shaped and now adjust for height as well as rake and reach. The steering column, too, is height adjustable. One disadvantage of the coupé's styling is that the rear pillars cut down visibility. There is an impressive array of instruments and warning lights and a digital clock that also tells the date. The car looks satisfactorily well finished.

The Bluebird first appeared 21 years and 4 million cars ago, and if the latest version is difficult to get excited about, there are no serious critics. Like its predecessors, it will sell mainly on the promise of reliability—an owner's rather than a driver's car. Prices range from £3,990 for the 1.6 litre saloon to £4,598 for the coupé.

Peter Waymark



In the Cortina mould—Datsun's new Bluebird coupé.

the re-circulating ball method used on most Japanese cars.

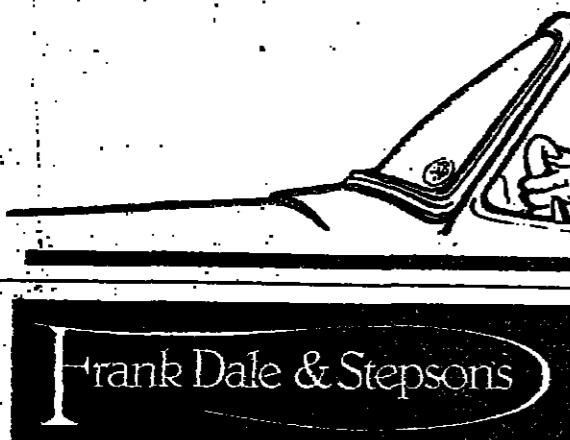
Curiously, however, neither of these features has produced the expected results. The rear suspension may be independent but the ride quality remains no better than the Japanese models, well short of the best European cars. And despite steering and suspension that tells you the car is definitely an Alfa, say an Alfa-udi.

To drive, therefore, the new Bluebird does not feel much different from previous versions. The gearbox, like most from Japan, is delightfully crisp, though crispness is not a word which can be applied to handling as a whole. The engine and low geared steering combine to produce a somewhat soggy feel, but the car holds the road well and the adoption of zero-offset front suspension (inherited from years ago by Audi) means less kick back through the steering wheel, and more stable braking.

The styling of the latest Bluebird emphasizes the comparison with the Cortina. The cars are similar in shape and size, and I found myself

wondering, as I drove it, if the Datsun Derivative or not, the new body has produced a welcome improvement in passenger space. Japanese cars are often cramped in the back; this one is a full four-seater, even the coupé model I have been testing, which is more a saloon with two doors than a

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مكتبة من الأصل

Helmut Schmidt is likely to remain Chancellor as a result of the Bundestag elections of October 5. However, as his reputation has soared abroad, his ability to govern the Germans has declined. This report looks at the political and economic state in a country which has been compared to the successful young man who, in his early thirties, ought to be at the height of his powers, but is instead looking ahead with apprehension towards middle age.

WEST GERMANY

A picture of political and economic stability in an uncertain world



Not a relaxed society

One of the most positive advantages of West Germany's progress from post-war chaos to late twentieth-century affluence has been the disappearance of that pernicious form of class distinction that unhappily persists in Britain.

German companies can be generous hosts and it is not unknown to be invited to what is euphemistically termed a klein Imbiss (small bite to eat) in the company dining room. The various courses will normally be accompanied by wine and here again the visitor must be on his mettle. For many German companies pride themselves on their wine cellars, some have their own vineyards and one of the largest engineering groups even has a plum brandy distillery that was bought for the company on the insistence of one of its directors.

But it would be wrong to jump to the conclusion that the Federal Republic is a relaxed society. Away from the bosom of the family, the average West German, whether he be a bureaucrat or manager, a foreman or a clerk, tends to be a formal animal. Failure to take note of this fact can open up pitfalls for the visiting businessman.

The average Anglo-Saxon,

emerging German office

for the first time, should not

have too much trouble

making with the preliminary

handshake, which is a firm

handshake. But while there

is much to be said for the

handshake as an automatic

"ice breaker", it would be

wrong to expect informal re

lations to follow.

For as secretaries, sub

ordinates and superiors flit

in and out the visitor will

note a marked absence of

Christian names. The usual

forms of address are Herr

and Frau (Mr and Mrs).

Herr Doktors are every

where, just as Fräuleins are

arc, unmarried women staff

either being elevated or pro

moting themselves to the

title of Frau at what is often

an alarmingly early age.

Once established, the Herr

or Frau, so-and-so relation

ship tends to persist even

among office colleagues.

Special care should be

taken to address a Herr or

Frau Doktor by his or her

title. After all, because of the

leisurely pace of higher

education in West Germany,

the individual has probably

sacrificed many years of

what could have been lucra

tive employment to gain the

title.

But in this day and age,

beware of addressing all

persons above a certain level

as Herr Doktor. It is not

essential for getting to the

top as the careers of

continued on page III

West Germany quarter of this year, the number of unemployed had been the ninth federal election in its 31-year fallen to 825,000 in April, and it presents at first only 3.6 per cent of the remarkable picture working population. The only significant bleachers in an alarmingly mish is a large current account balance of payments deficit that is expected to amount to 5 per cent of DM125,000m this year, representing a radical turnaround in the performance of the Free Democratic Party. The "Green" Party expected to amount to 5 per cent of the state of Germany's reserve position. The past 12 months have been a period of pronounced stability in labour relations. The trade unions, headed by Chancellor Schmidt, were still small compared with the Parliament and the Social Democrats' back in the Bundestag House) elections of 1972. The 11 years since the Social Democrat-Free Democratic coalition Government first came to office have seen West Germany play a role of growing importance in world affairs.

The old description of the Federal Republic as "an annual rate in economic growth but a political wasteland" is no longer valid. Herr Schmidt, when he travels to Moscow next Monday, will be the first Western leader to visit the Soviet Union and other socialist countries since the invasion of Afghanistan. He will be travelling to Poland and East Germany as the head of a strong bout of growth in the first Moscow as the head of a have no interest in giving the "paymaster of the non-aligned states.

Moreover, building on its experiences in Ostpolitik, the Federal Government has been careful to differentiate in its treatment of the West and other Soviet Union since the invasion of Afghanistan.

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James Hutchinson takes a detailed look at the role of the trade unions in a country which is still a model of industrial peace

Workers feel no need to strike

Despite occasional fights between the trade unions and the employers, West Germany is still a model of industrial peace. Unofficial strikes, except for minor demonstrations which entail downing tools for half and hour or so, are almost unknown and official ones are rare.

There is hardly ever any reason to strike. Every employed person knows that year by year, his income is going to be increased by a fair amount. He also knows that if the economy continues to grow his slice of the cake will become correspondingly bigger, and he is sensible enough to see that good labour relations are a major factor in promoting economic growth.

Moreover, although the constitution guarantees the right to strike (by implication at least), the law is designed to discourage the indiscriminate use of the strike weapon. Wage agreements are usually concluded for a year, and during this period the parties are obliged to keep the peace. Only after the agreement has expired and negotiations for a new one have broken down may strike action be seriously contemplated.

Strike ballots are compulsory and only if at least 75 per cent of union members are in favour may a strike be called. A decision to end a strike is put to the ballot too, but this requires the approval of only half of the members; in some cases of only a third. The breach of pay agreement is illegal, as is the action of any individual in inducing such a breach.

The law does not allow the operation of a closed shop. Indeed, it expressly

states that people are free to choose whether or not to join trade unions. Picketing is permissible, but must be confined to oral or written appeals to workers entering or leaving the plant affected by a strike. The use of force or any form of intimidation is not permitted.

On the whole union leaders are satisfied with the system, but some officials complain that it is too hard on those workers, a tiny minority, who might feel compelled to take unofficial action. As things are, an employer may dismiss unofficial strikers or claim damages from them.

Occasionally, of course,

West Germany does experience serious industrial disputes, and when that happens fears are usually expressed in the newspapers that the country is suffering from "English sickness".

The longest strike in the history of the Federal Republic lasted 44 days—in the winter of 1978-79. It involved about 100,000 workers in some of the country's main iron and steel producing plants.

The strike was in no way

the success of the union, IG Metall, had sought, and it put paid, at least for a time being, to serious trade union pressures for a reduc-

tion in the present basic 40-hour week. The union settled for a 4 per cent increase, more holidays and special concessions for shift workers and older workers. The level of wage increases generally last year was between 4 and 5 per cent, an example of moderation which won a tribute from Herr Helmut Schmidt, the Federal Chancellor, to the sense and cooperation shown by the trade union movement.

This year the unions have again shown themselves to be models of sweet reason. The Government indicated

at the beginning of the wages round that rises of about 7 per cent could reasonably be granted. After demanding 9 per cent, the Public Services Union OTV, which is usually regarded as militant, settled for 6.3 per cent and a bit more holiday.

IG Metall accepted 6.8 per cent and other unions followed suit. More congratulations from the Chancellor.

Undoubtedly, Germany's system of *Mitarbeitergemeinschaft* (codetermination) has contributed to industrial peace. It is a tangible expression of the concept of partnership, of the notion that capital and labour are of equal value. A law passed

recently four years ago provides for numerically equal safeguards against workers' representation of share control. The chairman and his deputy are elected by the shareholders and workers on the board with a two-thirds majority. If this majority is not reached, the shareholders' representatives elect the chairman and his deputy. Further, if there is a deadlock in trying to reach a decision, the chairman has a second vote.

German companies have a three-tier system of control—the shareholders' workers' directors in the supervisory board and, at the top, the management and, at the top, the supervisory board. This body determines the overall policy of the company, and sees that it is carried out.

Since 1951 there has been a party representation on the supervisory boards of firms in the coal and steel industries, but until the new law was passed workers' representatives comprised only one third of the total number of members of the supervisory boards of other large companies.

The unions would have preferred the system applying in the coal and steel industries to be extended without essential amendment to industry generally. But the new law is a compromise between the Social Democrats, senior partners in the Federal Government coalition, and the small Free Democratic or Liberal Party. It cannot be described as genuine, party codetermination, for the court made clear that codetermination had gone far enough.

Trade union leaders get excited about codetermination in the supervisory board room, but it has not been an issue which has argued much interest among rank and file members. They care more about codetermination on the shopfloor, executive of the company, a preoccupation which is heartily disliked by the trade unions. There are other tests.

Postwar reforms set a new pattern

The structure of the West German trade union movement is simple and efficient. Of the 24 million employees in the Federal Republic, about 8,500,000 are directly connected with a political party, the trade unions belong to trade unions and all but about 800,000 of these are members of one of the 17 unions within the Deutscher Gewerkschaftsbund, the German trade union federation commonly known as the DGB.

There have been associations in Germany since 1848, the year of the abortive German Revolution, but unions were banned at Bismarck's instigation in 1878—along with the Socialist and Social Democratic parties—and remained prohibited until after his resignation in 1890. In the Weimar Republic there were as many as 60 trade unions, almost all of them tied to political parties and factions. They were dissolved by Hitler in 1933, and replaced by the heel-clicking Labour Front.

After the war the union movement reformed itself in a completely new pattern, devised by a handful of surviving capable leaders with the encouragement and help of the Allied occupation authorities, particularly the British. In addition to the DGB unions, there is one big union—the DAG—representing 500,000 white-collar workers. There is also a small organization of Christian trade unionists, with about 250,000 members, and the country's 800,000 established public and civil servants, who by law cannot strike, have their own separate association.

When the DGB was founded in 1949 it announced that its aim was to contribute to the creation of a social democracy. The unions regard themselves as a pillar of the democratic

system. They entertain no dreams of revolution, and in the degree of union membership no in West Germany and the trade unions in 1971. They were protesting against the employers' action, taking a case against the codetermination law to the Constitutional Court. They have since been summoned on a smaller scale, and in there is a reasonable balance of power between employers and unions, guarantee a fair fight?

Since the nineteenth century the line followed by employers and government on the one hand and workers on the other has been different from that pursued in other countries. Employees are grouped together according to where Bismarck was quick to perceive their work and not accord them the necessary to grant to their occupation.

Thus a mechanic who works in social reforms rather than in his, and his successors belong to the engineering industry. This makes it easier to find a compromise.

The big German paper-making industry. This is every advantage of their system greatly simplifies the paper-making industry. This makes it easier to find a compromise.

The DGB carries considerable political weight. All the Social Democratic ministers in the Federal Government are union members. Herr Helmut Schmidt, the Chancellor, belongs to the Public Services Union OTV, and so are almost all the SPD deputies in the Bundestag. The unions are wealthy and have a great deal of property, including a bank and a social welfare housing concern and their headquarters are well staffed with economists, sociologists and other specialists.

When the DGB was founded in 1949 it announced that its aim was to contribute to the creation of a social democracy. The unions regard themselves as a pillar of the democratic

system. They have the right to strike. But unions argue that it is admissible to read into the constitution the right to lock workers.

In two decisions—in 1971—the Federal Court ruled that the Länder or states and Labour Court ruled that the employers' associations (PDA) and the big Federal Association of German Industry (BDI), both based in Cologne, have the right to strike. But unions argue that it is admissible to read into the constitution the right to lock workers.

The "concerted action" calls out 25 per cent members in a certain economic planning meetings between government, banks, and trade unions, which may only lock-out a small number of workers.

There is no closed shop successful annual industrial

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The labour force is divided for numerically equal safeguards against workers' representation of share control. The chairman and his deputy are elected by the shareholders and workers on the board with a two-thirds majority. If this majority is not reached, the shareholders' representatives elect the chairman and his deputy. Further, if there is a deadlock in trying to reach a decision, the chairman has a second vote. German companies have a three-tier system of control—the shareholders' workers' directors in the supervisory board and, at the top, the management and, at the top, the supervisory board. This body determines the overall policy of the company, and sees that it is carried out. Since 1951 there has been a party representation on the supervisory boards of firms in the coal and steel industries, but until the new law was passed workers' representatives comprised only one third of the total number of members of the supervisory boards of other large companies. The court, in a judgment in March last year, dismissed the employers' case. It decided that the law did not violate the Constitution. However, the unions gave only a token cheer to the judgment, for the court made clear that codetermination had gone far enough. Trade union leaders get excited about codetermination in the supervisory board room, but it has not been an issue which has argued much interest among rank and file members. They care more about codetermination on the shopfloor, executive of the company, a preoccupation which is heartily disliked by the trade unions. There are other tests.

The unions would have preferred the system applying in the coal and steel industries to be extended without essential amendment to industry generally. But the new law is a compromise between the Social Democrats, senior partners in the Federal Government coalition, and the small Free Democratic or Liberal Party. It cannot be described as genuine, party codetermination, for the court made clear that codetermination had gone far enough.

At the insistence of the Free Democrats, the workers' representatives must include a senior executive of the company, a preoccupation which is heartily disliked by the trade unions. There are other tests.

Even so, the law went much too far for the employers. Led by the late Dr. Hans-Martin Schleyer, chairman of the employers' federation who was kidnapped by terrorists and subsequently murdered in the autumn of 1977, they decided to take the law to the Federal Constitutional Court.

The court, in a judgment in March last year, dismissed the employers' case. They contend that the law did not violate the Constitution. However, the unions gave only a token cheer to the judgment, for the court made clear that codetermination had gone far enough.

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The "concerted action" calls out 25 per cent members in a certain economic planning meetings between government, banks, and trade unions, which may only lock-out a small number of workers.

Barry Dale describes the complex tax system and the high cost to the employer of social security

State gathers up money lost in the jungle

West German businessmen are running small to medium-sized concerns complain, like diture in the knowledge that their counterparts throughout the world, about the burden without a formal increase in tax they bear. However, few would go as far as to say their existence is threatened by their fiscal burden.

A far more frequent complaint concerns the complexity of the country's tax laws, which mean that even a self-employed person in a one-man operation needs to retain an accountant. Moreover, the labyrinth of tax laws, which small businessmen feel, often hides anomalies which discriminate against them more than they do against joint-stock companies.

By far the largest commitment is *Einkommenssteuer*, which translates quite literally as income tax, but which includes *Lohnsteuer* (wages tax), and *Körperschaftsteuer* (corporation tax). A sweeping reform of the trade-regulating income tax was made in 1975, but it was not necessarily to the benefit of small and medium-sized businesses. In fact the Institut für Mittelstandsforschung, based in Bonn, which represents the interests of small businesses, feels it hit the middle range companies harder than the big earners.

One aim of the reform was to iron out anomalies of tax progression after years in which no allowance had been made for inflation. The rise in Germany in recent years have been rather modest, but not negligible.

The Institut für Wirtschaftsforschung (Economic Research Institute) in Munich points out that no adjustment was made to tax-free allowances and tax progressions between 1965 and 1974. As a result, a businessman whose earnings rose at no more than the annual rate of inflation still found himself pushed into a higher tax bracket.

The institute suggests that taxation of income tax to official rate of inflation could have certain advantages not just in relieving a businessman, working alone, of the problem of providing for ill-health and

for a retirement pension, and *Der Steuerzähler* emphasizes that even contributions to state health and pension schemes cannot be offset against tax, since the state regards them as "application of income".

Another hefty tax thump comes from *Gewerbesteuer* or trade tax, which is levied by local authorities and includes *Gewerbeertragsteuer* (trade earnings tax, geared to annual profit), *Gewerkekapitalsteuer* (trading capital tax, levied on capital employed), and until January 1980, *Lohnsummensteuer* (payroll tax).

The payroll tax has been abolished, and the local authorities that levied it have a free hand to decide whether to compensate themselves in part or in full by increasing other aspects of trade tax.

Herolf Röhl, chairman of the management board of Höchst Ag, the chemical company, recently told shareholders that he welcomed the abolition of *Lohnsummensteuer*, as it has not been completely replaced by other taxes in many areas where Höchst has offices and factories. In particular, he congratulated Frankfurt, which he said had, as a result of the abolition, given up its position of many years as a high trade tax area.

Der Steuerzähler (The Taxpayer), a periodical representing mainly smaller businesses with less influence than West Germany's big industrial complexes, is campaigning for the abolition of *Gewerbesteuer*, but says that the powers that be in German local government are hoping to level this along the lines of the French *taxe professionnelle*. The periodical points out that trade tax is an adjunct to, and amounts on average to 40 per cent of *Einkommensteuer*. Its trading capital commonwealth, moreover, is at no more than the annual rate of inflation still found himself pushed into a higher tax bracket.

For the self-employed there is the additional property tax. Worst of all *Der Steuerzähler* says, this tax takes no account of a company's strength and must be paid whatever the level of profits, and, indeed, even if a loss is made.

For the self-employed up to 100 staff not only have to consider the salary they must offer to lure the right people, but also the additional weight of employer contributions to state-regulated schemes, and other little perks which are left to the boss's discretion, but which German workers come to expect.

A spokesman for a Frankfurt firm employing just over 100 said: "When we started with about one dozen staff, we used to dip into petty cash to buy ourselves coffee for the morning and afternoon break. You cannot just drop a privilege like that, and now providing coffee for half-a-dozen different departments costs us several thousand marks a year."

He added: "Inevitably we also had to install a canteen as the firm grew, and though this is supposed to be self-supporting, in practice it requires a subsidy."

In a small firm, little extras which add up to large overheads are expected more than in large concerns, where the hours tend to be more regular and the size of the company alone provides workers with a feeling of security.

The Frankfurt firm, like others of its size, is obliged by law to have a works council consisting of five members of staff (*Berichtsrat*), and the law also states that they must be provided with a suitable conference room and be allowed to meet within working hours.

Other bonuses on top of pay, offered voluntarily by most West German firms, include an annual works outing and a Christmas party, and in some companies a "farewell" party for departing colleagues may be arranged and the bill sent to the accounts department.

"Such expenses are tax deductible up to a point," the spokesman for the Frankfurt firm said. "The principle is 50 marks per staff member a year, it is difficult to estimate the cost of such extras, but it is probably on average nearer 500 marks."

A far heavier burden to be borne by all companies, large and small in West Germany is the employer's contribution to state welfare schemes.

Employers are obliged to pay 50 per cent of contributions to the national health insurance scheme (*Krankenversicherung*), old age pension (*Rentenversicherung*), and unemployment fund (*Arbeitslosenversicherung*).

A spokesman for a publishing house in Hamburg with a staff of 100 said these three schemes alone cost a total of about 700 marks (£170) a month, of which the employer has to meet 350 marks. With an average salary in the firm of about 2,500 marks (£530) that means an extra 10 per cent on top of the wage bill.

Another benefit for staff in his firm, as for many others in Germany, is the voluntary payment of the thirteenth monthly salary every year in the form of a Christmas bonus and a half-day bonus on top of the normal five weeks' paid holiday.

The holiday bonus is

the same as in Britain, and serve to make life all the more complicated.

For Germans, too, the jungle of tax paragraphs is dense and almost impenetrable. The Association of Hesse Taxpayers in Wiesbaden, which provides an advisory system to subscribers, said that even an expert in fiscal matters has difficulty hacking his way through this jungle, and it is the state that benefits to the extent of between 2,000m and 4,000m marks a year in revenue that need never have been paid.

It is not advisable to pray for relief: the archaic and much-criticized *Kirchensteuer* (church tax) is still levied by the Roman Catholic and Lutheran Churches, and amounts to about 9 per cent of income.

Poverty ousted - at a price

West Germany's postwar prosperity has been built up on the social market economy (Soziale Marktwirtschaft), with the market providing the dynamism for rapid growth, and generous social security provisions assisting those who cannot keep up with the race.

Although the burden of taxes and social security payments may not be as heavy as in Scandinavian countries, and the protection afforded from the cradle to the grave may not be so cossetting, a real hardship has been almost eliminated in the German Federal Republic - at a price.

Businesses building up their operations and wishing to take on new staff not only have to consider the salary they must offer to lure the right people, but also the additional weight of employer contributions to state-regulated schemes, and other little perks which are left to the boss's discretion, but which German workers come to expect.

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The holiday bonus is

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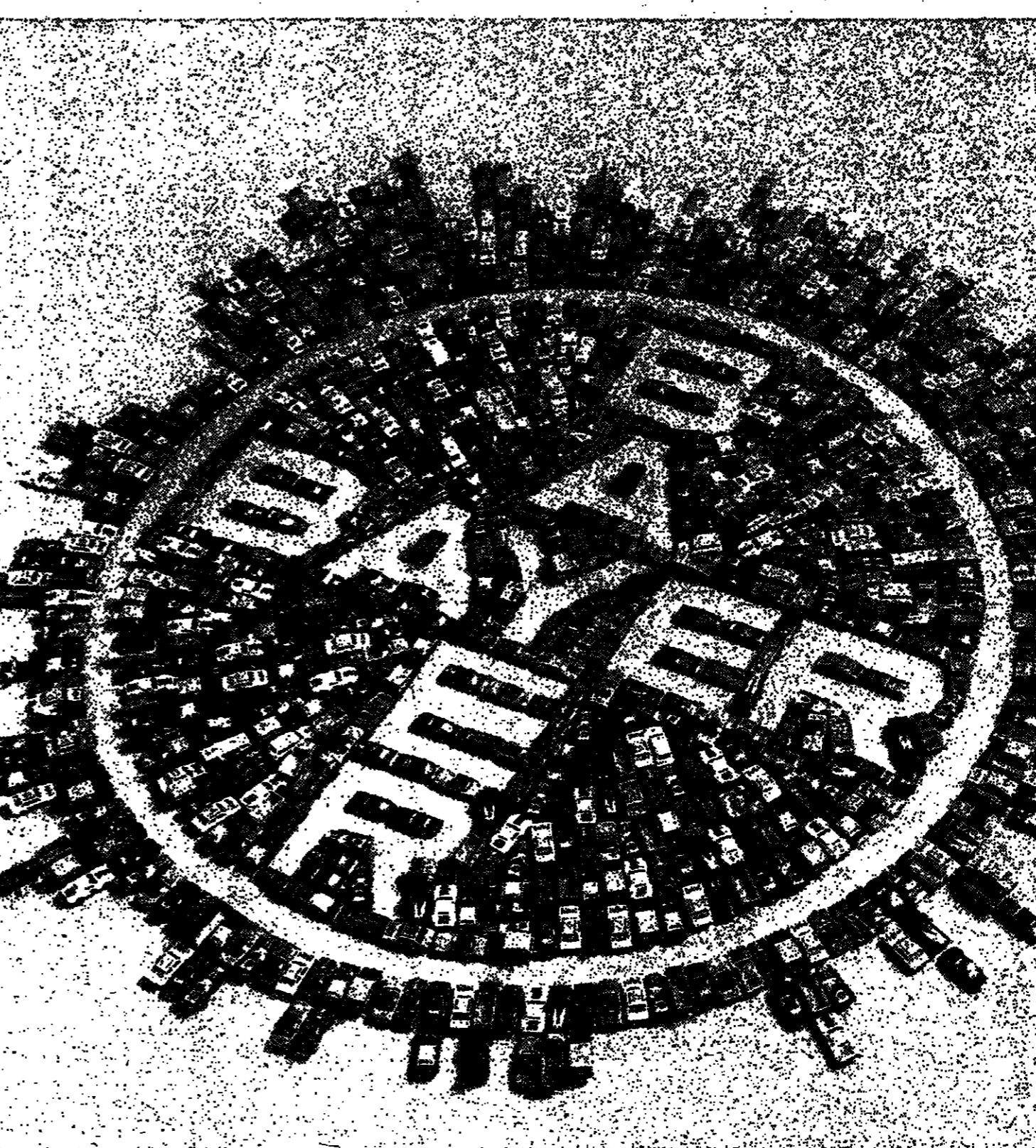
Port of Hamburg

The Representative: Hattenstraße 2, 2000 Hamburg 11, Tel. 040/362811-18

Local Representatives:

North Germany Frankfurt Tel. 0611/749007 Munich Tel. 089/186087 Vienna Tel. 0222/725434 New York Tel. (212) 758-4851/52

Duiseldorf Stuttgart West Berlin, GDR, CSSR Budapest Tel. 0211/482064/65 Tel. 0711/561448/49 Tel. 040/362811-18 Tel. 03-503-5031 Tel. 01/517-6888 Tel. 03-503-5031



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28 - 31 August ISPO 80 - Autumn - 13th International Sports Equipment Fair
19 - 24 September IKOFA 80 - 13th International Trade Fair of the Food Industry
5 - 9 October 42nd MODE-WOCHE-MÜNCHEN International Fashion Fair
6 - 12 November ELECTRONICA 80 - 9th International Trade Fair for Components and Assemblies in Electronics
22 - 30 November HEIM + HANDWERK 80 - Handicrafts in the Domestic Sphere with Special Shows and Technical Displays by the different Handicrafts Branches

DATES SPRING 1981

7 - 15 February CARAVAN - BOOT - INTERNATIONALER REISEMARKT 12th International Exhibition for Caravans, Boats, Travel and Vacation
14 - 18 February INHORGENTA 81 - 8th International Trade Fair for Watches, Clocks, Jewellery, Precious Stones and Silverware - with their Manufacturing Equipment
26 February - 1 March ISPO 81 - Spring - 14th International Sports Equipment Fair
14 - 22 March IHM - 33rd International Light Industries and Handicrafts Fair - The Fair for small and medium-sized Enterprises
29 March - 2 April 43rd MODE-WOCHE-MÜNCHEN International Fashion Fair

April 1981 98th Congress of the German Surgical Society with Information Show
5 - 8 May BÜRO - 11th Exhibition Office Machines, Office Furniture, Drawing Techniques, Organizational Methods

8 - 10 May COSMETICS 81 - 2nd International Trade Fair for Cosmetics, Health and Beauty Care

19 - 22 May INTERHOSPITAL - International Hospital Exhibition and 11th German Hospital Meeting
1 - 4 June LASER 81 OPT-ELEKTRONIK 5th International Congress and Trade Fair

23 - 27 June IFAT - 5th International Trade Fair for Waste Treatment and Disposal, Sewage, Roads, City Cleaning - Winter Service with 5th European Symposium EAS

INFORMATION

Münchener Messe- und Ausstellungsgesellschaft mbH
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Size. The Savings Banks Organization is Germany's largest bank grouping with a combined business volume of almost DM 800 billion - a market share of some 40 per cent - and more than half of the nation's total savings deposits. Operating within the system are 603 independent Sparkassen and 12 Landesbanken, as well as 13 Öffentliche Bausparkassen (Public Building Societies), which together maintain more than 17,000 offices and employ a staff of over 200,000.

Scope. The facilities and services of Germany's Sparkassen permeate the entire economy, from the largest cities to the smallest rural areas. This pervasive coverage provides in-depth local expertise and invaluable client contacts at all levels of business and finance. In addition to their broad wholesale banking capabilities, the Landesbanken act as central banks for the Sparkassen in their region, and function as their clearing houses on a national level. In addition to their decisive role in this vast integrated domestic network, the Landesbanken add key international capabilities through their own offices, participations, and correspondent links in the world's major financial centers.

Service. Unlike savings banks in many other countries, Sparkassen in Germany operate as local universal banks, providing both commercial and investment banking services. As an integral part of Germany's traditionally export-oriented economy, many Sparkassen transact considerable foreign business. Their facilities typically include letters of credit, documentary business, payments and collections, and guarantees. For larger scale foreign financing, the Sparkassen often work in tandem with the Landesbanken.

Landesbanken in Germany are also universal banks specializing in wholesale banking services ranging from commercial and public-sector lending, project finance, and foreign trade finance to portfolio management, security dealing, and international finance - often arranging or participating in syndicated Euroloans and Eurobond issues. For refinancing purposes, the Landesbanken are authorized to issue their own bearer bonds. For more information on Germany's largest banking sector, just write to:

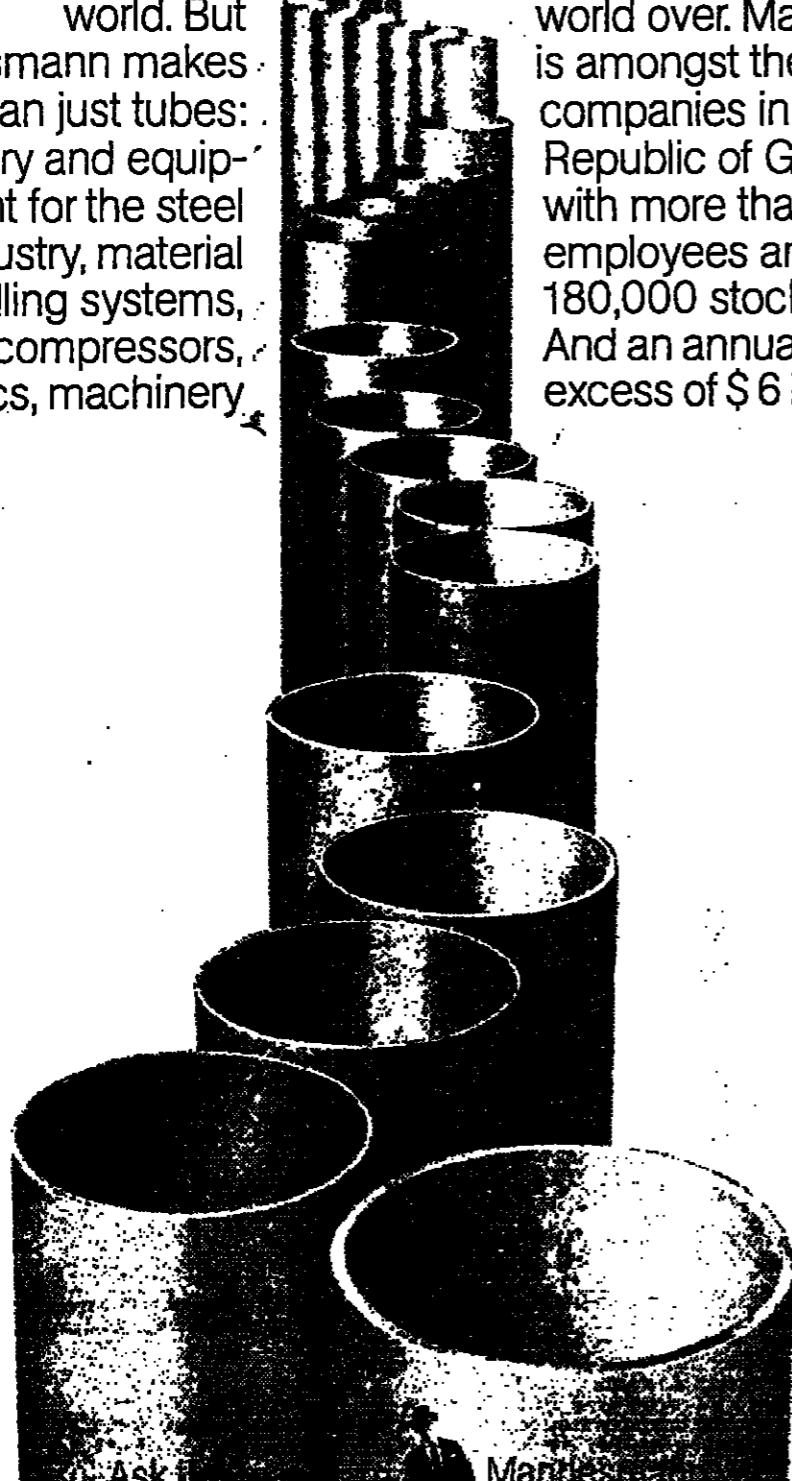


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How to get there

Direct air services link London with many of the principal German cities, including West Berlin, British Airways, Lufthansa, and other international airlines offer flights to Bremen, Cologne/Bonn, Düsseldorf, Frankfurt, Hamburg, Hanover, Munich and Stuttgart. Some other cities are also accessible by British Airways, and by Aer Lingus and British Midland Airways from Birmingham, Manchester and Glasgow.

Daily continental rail services operate from London's Victoria Station (via Dover and Ostend) and Liverpool Street Station (via Harwich and the Hook of Holland). All rail travellers to Berlin require East German visas (see "Travel documents"). Several car ferries are available to those travelling by road.

Travel documents

No visa is required by holders of British passports containing the words "Entry certificate exempt" or "Holder has the right of abode in the United Kingdom". Holders of all other

British passports are subject to immigration control. Those who intend to work in Germany or establish a business there, and who hold a United Kingdom passport issued before 1973, should ask their area passport office for a special endorsement indicating that they have right of abode in the United Kingdom and are therefore United Kingdom nationals for European Economic Community purposes.

Travelers using transport to reach West Berlin from West Germany require transit visas for the German Democratic Republic; these are available from the appropriate authorities at approved crossing points, or from the GDR embassy in London.

All would-be travellers are advised to contact the Federal Republic and the GDR representatives in Britain before departure, since regulations can change at short notice.

Local travel

Air services link most of the main cities, and those flying between West Germany and West Berlin do not need visas.

The country has an excellent railway system, with sleeper, restaurant cars and, on some expresses, second-class facilities. Local trains, stopping at all stations, are called *Personenzüge* (passenger trains); *E Zug* stops less frequently, and *D Zug* is fast with first and second-class accommodation; *IC Zug* is the symbol for inter-city trains, usually with only first-class accommodation and *TEE Zug* identifies trans-Europe expresses, offering only first-class accommodation. Trains stop only briefly at intermediate stations.

Road traffic travels on the right, with a speed limit of 50 kph (about 31 mph) in built-up areas, 100 kph (62 mph) outside towns and a recommended limit of 130 kph (about 80 mph) on the autobahn network. The autobahn provides fast access to most of the cities, which are generally linked by regular coach services. Hire cars and taxis are readily available.

The main road from the Federal Republic to West Berlin is via the Helmstedt-Berlin autobahn (see "Travel documents"). The distance is just over 100 miles. It is possible to drive between West Berlin and Hamburg, but cars must keep the *Fernstrasse* (main arterial road) 5. The route to Berlin from the south is from the border crossing Hirschberg by autobahn via Hof. Visas are required. and it should be remembered that traffic regulations are rigorously enforced by the German Democratic Republic.

Entry from West to East Berlin for foreigners is by road at the Friedrichstrasse crossing point (Checkpoint Charlie) or by underground and overhead electric systems at Friedrichstrasse railway station. Passports are examined at both points, and customs and currency declarations have to be completed; no GDR currency may be taken in. Those wishing to stay overnight, or to leave East Berlin for the GDR, need a visa. Some West Berlin taxis are permitted to take visitors into East Berlin.

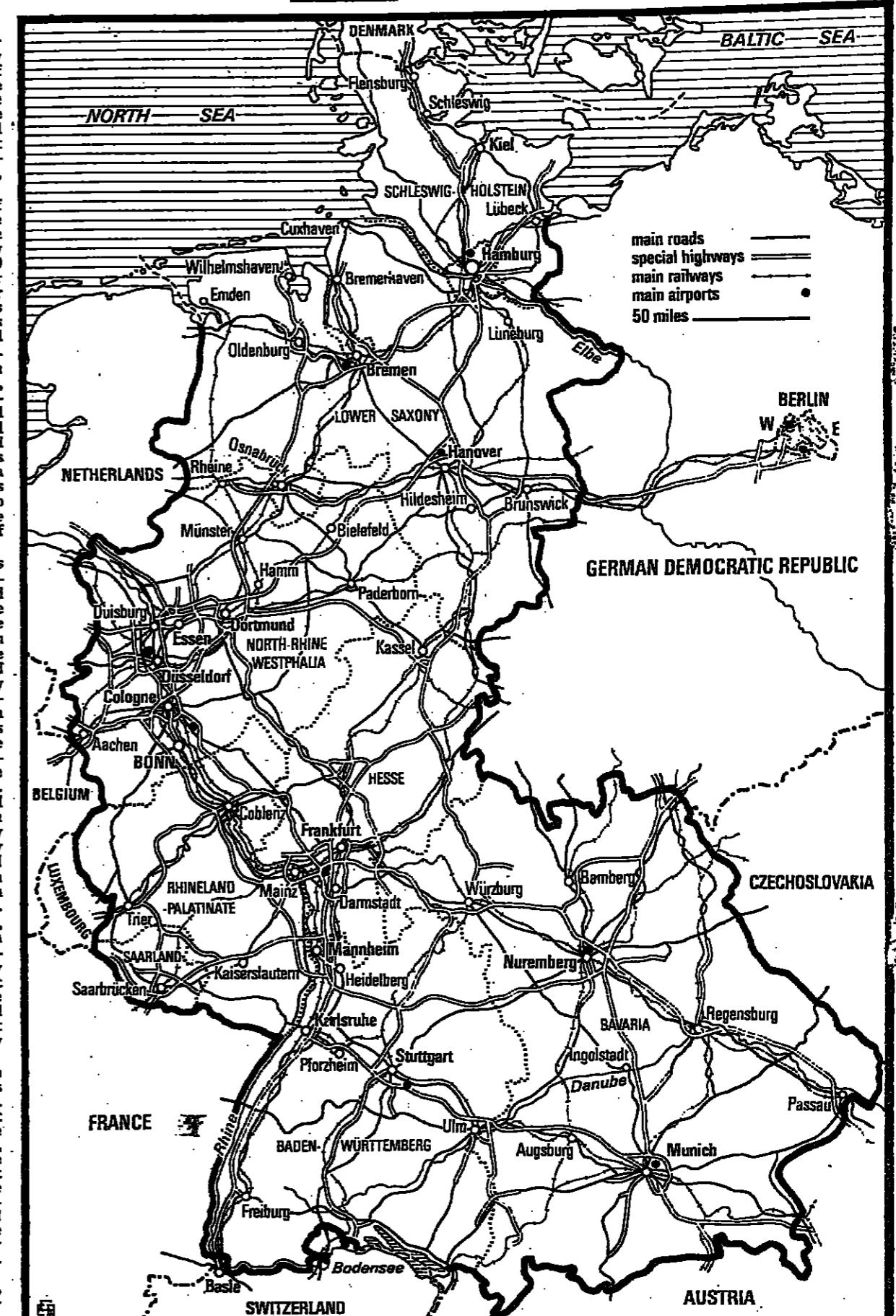
Currency

The West German Deutsche mark (Dm) is divided into 100 pfennigs. Coins circulate in 1, 2, 5, 10 and 50 pfennigs, and Dm 1, 2 and 5 denominations. Notes are in Dm 5, 10, 20, 50, 100, 500 and 1,000 denominations. The £ is worth Dm 4.07.

Time differential

Greenwich Mean Time plus one hour throughout the year.

General



History

When the First World War started in 1914, the country was ruled by the King of Prussia, who was also the German Emperor. When the war ended in 1918, the country found itself divested of most of the acquisitions it had made since 1871, including all of its colonies, and it became a republic.

The rise to power of Adolf Hitler was followed by the Second World War. The date of the Führer's death by suicide is put at April 30 1945, and eight days later the unconditional surrender of all German forces was accepted by representatives of the Western Allies and Soviet supreme commanders.

The country was broken into four occupational zones, in each of which the commander-in-chief exercised power. These men acted jointly through an Allied Control Council in matters affecting Germany as a whole. The four powers governed Berlin according to policies dictated by the Potsdam Agreement of August 1945.

By March 1948, it was apparent that agreement between the Soviet Union and Britain, France and the United States could not be reached; the Western powers, together with the French, decided to end the direct military rule over Germany. In September of the same year a Parliamentary Council was convened in Bonn under the presidency of Konrad Adenauer, and in May 1949 the Basic Law came into force. Supreme authority remained with the three Western occupation powers until May 1955, when full sovereignty was restored to the Federal Republic and it became a member of the North Atlantic Treaty Organization.

Berlin was, and remains, an island in the German Democratic Republic. Between June 1948 and May 1949, the needs of West Berliners were met by the Allied airlift; this followed the closing by the Soviet Union of land and waterway links with West Germany.

The Berlin Wall between the east and west sectors was erected in August 1961. The Four Power Agreement on Berlin, which became effective in June 1972, eased but did not solve the city's difficulties. West Berlin today consists of the British, French and American sectors and is governed by a locally-elected senate under the overall authority of the three Western Allies. It is simultaneously a Land of the federal republic, though not yet formally incorporated, and a city.

Country

One of West Germany's most attractive features is its varied countryside. The land falls broadly into three main topographical regions. The North German plain extends southward from the Baltic and North Seas and is of uniform character until it reaches the Essen, Dortmund and Hanover areas.

Along this line the central uplands begin. These consist of high plains, rolling hills, volcanic formations, troughs and basins. Well-made roads find their way through mountain gaps, across deep gorges and along short courses. The Black Forest is at the southern edge of this area and extends eastwards into the Swabian-Franconian terrace country.

South again, on a line marked roughly by the country's second longest river, the Danube, are the foothills of the Alps. On the German side of the border, these consist of the Allgäu, Bavarian and Berchtesgaden Alps. This barrier is the only natural one between West Germany and its neighbours - The Netherlands, Belgium, France and Luxembourg to the west, the German Democratic Republic and Czechoslovakia to the east; Denmark to the north, and Switzerland and Austria to the south.

The largest of the regarded as the country's rivers is the Rhine, banking and financial city, parts of the country these

which extends for nearly 500 miles on a rough south-north line through the western part of the country.

The Länder

The Länder, or federal states, are as follow (Berlin has special status):

Land Capital
Baden-Württemberg Stuttgart
Bavaria Munich (München)
Berlin (West) (city-state)
Bremen (city-state)
Hesse (Hessen) Wiesbaden
Lower Saxony (Niedersachsen) Hanover (Hannover)
North Rhine-Westphalia (Nordrhein-Westfalen) Düsseldorf
Rhineland-Palatinate (Rheinland-Pfalz) Mainz
Saarland Saarbrücken
Saxony Dresden
Saxony-Anhalt Magdeburg
Schleswig-Holstein Kiel

Main cities

Although Bonn, on the Rhine, is the capital of West Germany, its population (284,000 in December, 1977) is considerably smaller than that of other cities. Cologne (Köln), about 15 miles to the north, has a population of about one million, and Frankfurt, to the south-east, has about 600,000. Frankfurt, with its surrounding area, is

in general, Germany's largest city, banking and financial city, parts of the country these

times vary by 30 minutes to one hour at either end of the day. Some companies close early on Friday.

Shops and post offices open between 8 am and 9 am and close at 6.30 pm; lunch is taken between 1 pm and 3 pm at smaller establishments. Except for the first Saturday of each month, when they stay open until 9 pm, all shops close at 2 pm on Saturdays; this is a legal requirement.

Government offices are manned Monday to Friday from 8 am until 5 pm; in the Bonn area they close between 3 pm and 4 pm on Fridays. Banking hours vary, with opening times at 8.30 am or 9 am and closing times ranging from noon to 3.30 pm; most banks, however, are open until 6 pm on Thursdays.

Public holidays

Assumption Day August 15
All Saints' Day* (but not Hesse) November 1
Day of Repentance and Prayers November 19
Christmas Day December 25
Second Day of Christmas December 26

Ascension Day Whit Monday June 8
Waldschärtig June 9
Corpus Christi* June 18
Day of German Unity June 17
Only in Bavaria and Saarland.
Only in predominantly Catholic areas.
Only Baden-Württemberg and Bavaria.
Only North Rhine-Westphalia. This is not an official holiday but most offices close.
Only Frankfurt.

Embassies

Embassy of the Federal Republic of Germany, 21-23 Belgrave Square, London, SW1X 8PZ. Telephone 01-235 5033.
Ambassador: Dr Jürgen Ruhfuß.
Minister: Dr Alfons Böckeler.
First Counsellor (head of Economic Department): Dr Christian Kudlich.
British Embassy, Friedrich-Ebert-Allee 77, 5300 Bonn 1. Telephone 23-40-61. telex 885887 a/b ERIN/BR.
Ambassador: Sir (John) Oliver Wright.
Minister: David Goodall. Minister (Economic): Huw Oerton.
Counsellors: Alistair Hunter (head of Chancery), Donald Ballantyne (Commercial), John Bowes (Economic).

Versatile banking system at businessman's bidding

The businessman in West Germany has at his disposal Commerzbank—which are resulted from the expansion of individual wealth in the banking industry, together transact about one-tenth of West German banking system.

About 5,800 banks have about 44,000 branches throughout the country, resulting in one of the most comprehensive banking networks in the world.

There is a bank branch for every 1,400 people—a density which is three times that of the United States.

The structure of the banking industry ensures that facilities are available in the cities. The savings movement, which is made up of banks tied to individual local authorities, has roughly 50 per cent of the German banking market. The cooperative and their own state and national farmers' banks, which have a strong rural bias, account for about 20 per cent, and the private sector banks which make up the remaining 30 per cent of the market. The three biggest private and investment banks—the Deutsche Bank, enabled all groups to com-

the case of some of the Lom-desbanken, have even accumulated large equity stakes in West German industry.

In general, the competitive atmosphere which prevails has benefited the individual customer. A branch manager is likely to meet any reasonable demand, in the knowledge that if he did not a rival bank up the street would probably be only too happy to step into the breach.

At the other end of the scale, there appears to be a better-balanced relationship between big industry and the banking system than at earlier stages in Germany's

history. In recent years the class distinctions between the various kinds of German banks have become blurred. Thirty years ago it was fair to generalize that the savings and cooperative banks served the man in the street

concern at a political level. Today, the Deutsche Bank can claim to be the country's biggest savings bank. The savings and cooperative banks are today the issue is at least dormant, reflecting a general policy aim on the part of the banks to reduce national syndicated loans, their direct equity holdings in Eurobond flotations, and in industry, the spread of

equal worker representation on the supervisory boards of companies, and a growing government reliance on the banking industry to help finance public sector borrowing requirements.

Accordingly, the present mix of private and public sector banking is likely to continue for the foreseeable future, political pressure in favour of nationalizing the remaining private sector banks having lost ground.

The Government's decision some years ago to help set up a special financing institute to provide capital for that type of risky venture no longer supported by the banking industry is indicative of the problem.

As it happens, the Wagnis Finanzierungs Gesellschaft, although a note of caution has crept into the more recent surveys of business opinion carried out by economic research institutes, there still seems a good chance that fixed-asset investment by businesses will exceed 30 per cent of gross national product this year for the first time since the boom year of 1973.

Yet opinions on whether West Germany is a worthwhile place to invest differ sharply with German business appearing to take a far more jaundiced view of the prospects in the Federal Republic than many of their colleagues abroad.

To put the negative case first, without doubt West Germany has become a high-risk country. The investment incentives offered by the federal and state governments appear meager when compared with other countries in Western Europe, although a surprisingly large area of what is a very affluent country qualifies for regional aid.

The result has been a sharp decline in investors' interest in equities, and in turn a reduction in the proportion of equity in corporate balance sheets.

Peter Norman

Considering the protracted crisis in Iran, the Soviet invasion of Afghanistan and the apparently unstoppable rise in the price of oil, the German economy began the 1980s on a surprisingly—one might almost say uncharacteristically—optimistic note.

After many years in the doldrums, business investment had at least picked up.

Last year spending on fixed assets by corporations advanced by no less than 15 per cent, contributing significantly to the 4.4 per cent real growth of the economy recorded for 1979 and a surprisingly large increase of people employed.

The positive mood carried over well into 1980. As it happens, the Wagnis Finanzierungs Gesellschaft, although a note of caution has crept into the more recent surveys of business opinion carried out by economic research institutes, there still seems a good chance that fixed-asset investment by businesses will exceed 30 per cent of gross national product this year for the first time since the boom year of 1973.

For although recent official statistics suggest that foreign investors are avoiding West Germany, international business surveys indicate that it is still considered a worthwhile place to invest.

Last year foreign direct investments in West Germany fell to DM1,900m, the lowest net increase since 1962. At the same time net investments by West German companies abroad advanced to DM1,900m, by far the highest level since 1950.

At the beginning of the four years to 1976 that's a gathering of official statistics began.

But it would be wrong to deduce that German companies are deserting their homeland in droves in favour of foreign areas of activity. The growth of skilled labour and the sys-

Caution creeps into mood of optimism

tem of health and pension represents far more a catch than a respect in one respect that in one respect insurance is expensive for up after the first two research and never both the individual and his decades following the men—West Germany.

Second World War when already well the priority was given to developing Japan and its partners in the EEC in terms of exports facilities and markets. It is a time per head, and it also a logical consequence almost caught up with a level of per capita spending of the Deutsche mark in the United States.

Businessmen have to be pressurized for an investment in the way the and American companies which investments are carried out by the business treated under German international group of laws and for less bureaucracy.

Germany came to the conclusion that the Federal Republic offered the best there has been an investment and marketable question mark over the past decade.

A recent survey of 200 leading European Japanese investment in the way the and American companies which investments are carried out by the business treated under German international group of laws and for less bureaucracy.

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Hypo-Bank results 1979

Group assets up 13.1%

International business develops favorably

In 1979 Hypo-Bank, Germany's oldest publicly-owned joint-stock bank, increased its balance sheet total by 15% to DM 53.5 billion. Group assets reached DM 72.7 billion, up 13.1% over the previous year.

The results of 1979 did not match the particularly strong performance of 1978, mainly because of unusually narrow interest margins—which stemmed from very high domestic interest rates—and fluctuations on the international capital markets.

Hypo-Bank's international business again recorded healthy gains. In spite of the Bank's stringent criteria for assessing risks, foreign lending rose substantially, particularly export-related financings and loans to foreign public-sector borrowers. Documentary business and foreign exchange transactions also produced improved results over 1978.

The Bank's subsidiary in Luxembourg, HYPOBANK INTERNATIONAL S.A. increased its balance sheet total by 28% to DM 7.15 billion.

In its second full calendar year of operations, the New York branch increased considerably both its volume of business and earnings, accounting for a significant proportion of the Bank's foreign business.

Consistent with its efforts to strengthen its international activities, Hypo-Bank opened representative offices in London and in São Paulo, its second office in Brazil along with Rio de Janeiro. A full-service branch in London is planned for 1980.

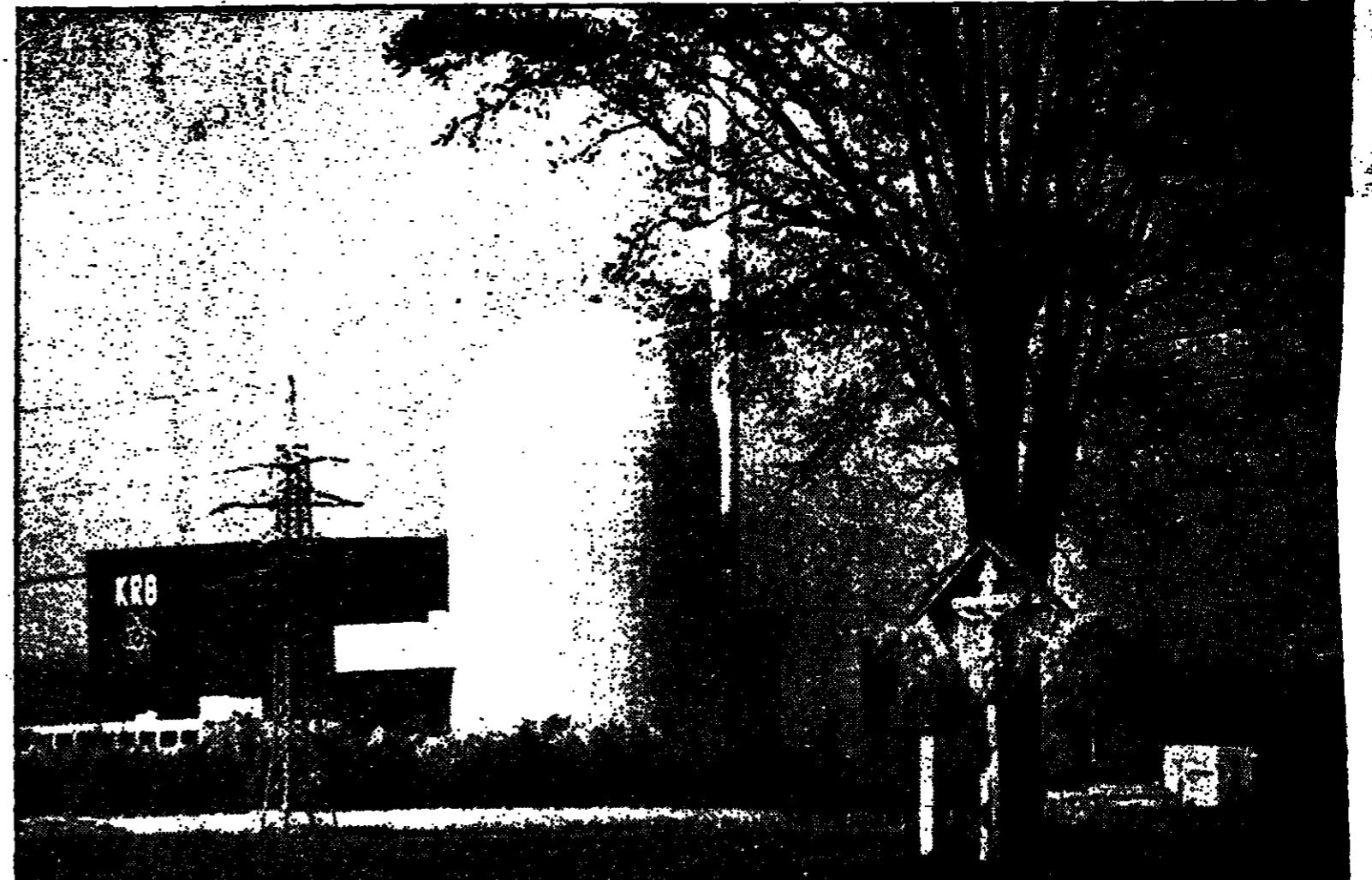
Hypo-Bank's service potential spans the globe through its own offices and the international facilities of its partner banks in ABECOR, Europe's largest banking group.

For your copy of our Annual Report, please contact our International Department, Theatinerstrasse 11, D-8000 Munich 2, Tel.: (089) 23 66-1, Telex: 05 28 6525-27, SWIFT: HYPO DE MM.

Highlights of our consolidated Balance Sheet for 1979		in million DM
Total assets consolidated	72,732	
(Total assets parent company)	53,479	
Total liquid assets	7,140	
Total loans	57,108	
General banking	23,244	
Mortgage banking	33,864	
Total deposits and long-term liabilities	70,001	
General banking	36,114	
Mortgage banking	33,887	
Capital and reserves	1,586	
Share capital	423	
Reserves	1,163	

HYPOBANK
BAYERISCHE HYPOTHEKEN- UND WECHSEL-BANK
AKTIENGESELLSCHAFT

Modern Banking in the finest Royal Tradition



Although we are now in the one of 14 such plants that gasification and liquefaction of coal will become an able to procure the forecast economic proposition only on requirements of 206 million energy costs go even higher than they are now.

But what would amount to sticking their necks out for industrialisation is effectively impossible for politicians is now reckoning on further oil price rises in the hope that this may prove to be the eventual salvation by ushering in a new age of energy based on coal and nuclear power.

It is as certain as anything can be that the growth rate of gap in the 1980s will be a little under 3 per cent, since a rate of 2.5 per cent is already needed merely for existing living standards to be maintained.

Since natural gas already provides 16 per cent of energy supplies, and this figure can at the most rise to 20 per cent, all that is left apart from energy saving, which is after all a one-time operation—is to double the coal production capacity and nuclear power.

Whether gross national product grows or not, there are already a host of problems in both areas.

No one in Germany believes that the Government's plan will become a reality. The euphoria of the present energy policy is as much cost as possible, and as much nuclear energy as necessary. A capacity of 3,500 megawatts of nuclear power was planned for 1980, but only 9,100 MW have as yet been installed.

Even though plant for an additional capacity of 10,000 MW was under construction at the end of 1979, it is doubtful whether the 23,000 MW figure for 1985 will be installed, let alone the 31,000 which, according to the

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Berlin is safe for business

It is so, where have hidden all your industries? The foreign VIP, with a smile, questions the information: Berlin (West) is the largest industrial city between Moscow and Milan.

Capital of Germany, not likely to be in a foreseeable future, West holds with the real speech that its future is a viable, efficient, flexible economy. The strengthening of a joint interest of man and the Berlin government, the Chamber of Commerce and Industry, research and universities and the like.

The signing of the Berlin Agreement (West Berlin, an island of communist Germany, often was a symbol of hope and felt act of internationalism between East and existing elsewhere. The political situation was stable, indeed, in these days of conflicts.

Western powers' rates for the city's free security and commercial time to time is in years on the occasion by Queen Elizabeth II.

President Carter, President Giscard d'Estaing, Mr Francis Pym, British Secretary of State for Economic Affairs, with the exception of the United Kingdom, though admitted the costs of such projects at present 4.5 per cent—and 100 per cent payout.

In addition, up to 100,000,000 available from loan funds under the Berlin Development Loan; interest rates at present 5.5 per cent.

Other incentives include preferential treatment of down payments on machinery and buildings, of investments for plant modernization; accelerated depreciation; value-added tax reduction; corporate income tax reduction of 22.5 per cent; a 30 per cent rebate on personal taxable income from the Berlin operation.

Incentives are not restricted to the initial investment phase but extend into the production phase, aiding profit maximization and celebrating capital payback.

A calculation, comparing identical operations in Berlin and West Germany of the model investment mentioned before, shows that income before and after taxes and cash flow are considerably higher in Berlin and the payback period is shorter.

A capitalist island in a socialist sea may have its disadvantages, but it has its advantages too. Chances for East-West business are good.

Experts say that even in times of political tension Berlin surpasses even Vienna by far in this respect.

Various specialized institutes and agencies offer advice.

All concerned would be glad to see more British firms make use of Berlin's incentives and advantages. They see good opportunities, for instance for cooperation in production in supplying markets. Small and medium-sized ventures would be particularly welcome. Another incentive of a different nature, is that there were no strikes in 1970, 1973, 1975-77 and in 1979, according to official statistics.

In 1974, 1976 and 1978 between 8,400 and 38,100 people were involved in strikes—out of a labour force of about 900,000.

Gretel Spitzer

* West German firms buying Berlin products or services get a 4.2 per cent tax reduction on them.

WEST GERMANY

The best of the Wurst

The British and the Germans are on the whole united in thinking each other's food is peculiar and not very tasty.

Lovers of food in both countries, therefore, feel there is not much to be said for the other's cooking.

The state is made easy by the Government's incentives

—those which the investor

will receive in accordance with the BPL and additional ones which a flexible administration may grant, such as providing sewerage facilities and access roads at its expense.

An investment model drafted by Mr Layton's office illustrates that a new industrial production project in Berlin, installing DM 5.8m (£1.45m) in fact, costs 17 per cent less because of grants on expenditures on movable and fixed assets.

The remaining 83 per cent can be borrowed under two loan tranches of 35 per cent each for 10-year terms with principal amortization beginning in the third year.

ERP funds are available for such purposes at low interest rates—at present 4.5 per cent—and 100 per cent payout.

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Gert von Paczensky
columnist,
Essen und Trinken

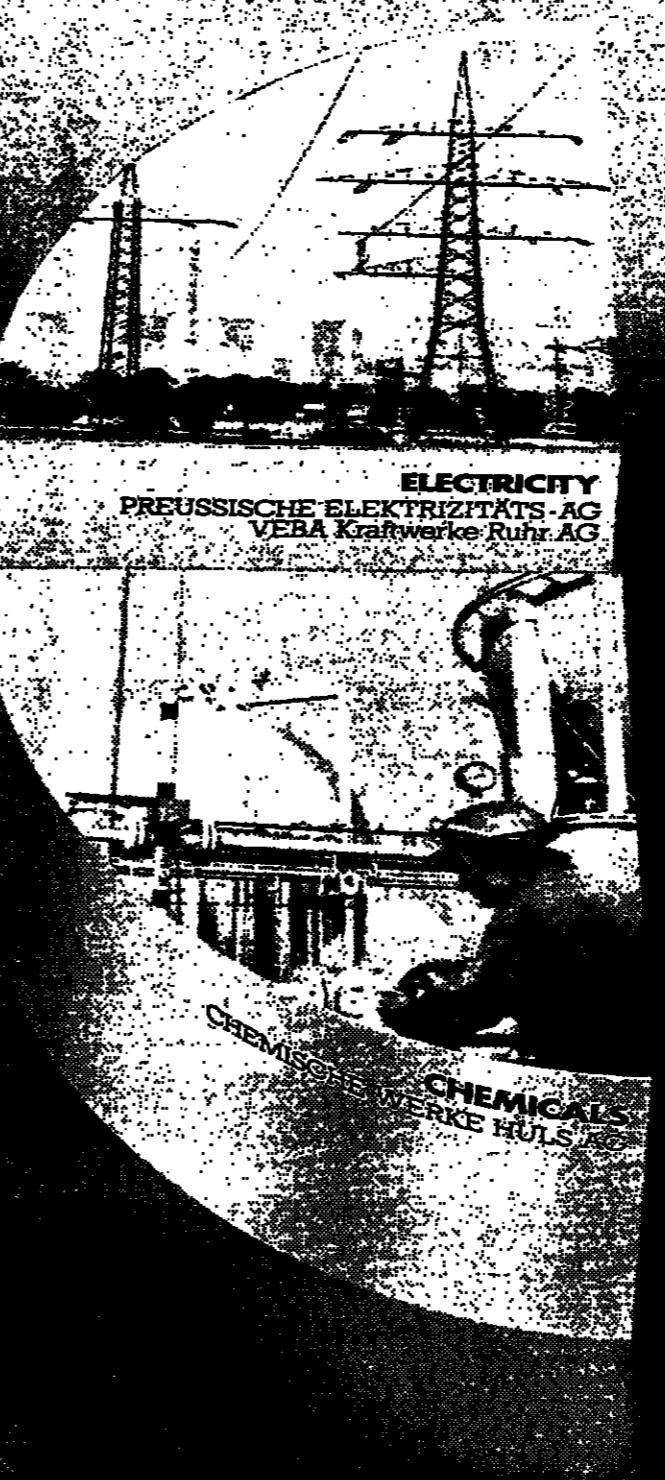
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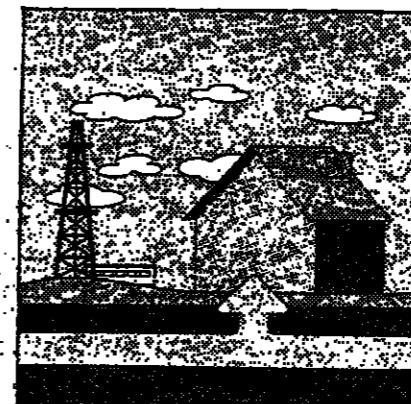
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Erdgas spart Energie

Wärme-Erzeugung aus Erdgas ist unmittelbare und umweltfreundliche Nutzung von Energie. Aus der Primärenergie Erdgas entsteht Wärme direkt, ohne Umwandlungsverluste.

So ist Erdgas die Wärmeenergie, die allein durch ihren Einsatz bereits Energie einspart. Hinzu kommt der Qualitätsstandard der Erdgasgeräte, die mit hohem Wirkungsgrad die Wärme des Erdgases freisetzen. Feinregelbar und anpassungsfähig für jedes Wärmebedürfnis.



Erdgas bedeutet Energie-Einsparung durch den direkten Einsatz von Primärenergie.

Alles in allem ist Erdgas die Primärenergie mit dem höchstmöglichen Nutzunggrad. Und damit bestens für die Wärme-Erzeugung geeignet. Wir von der Ruhrgas tragen dazu bei, daß Erdgas da ist, wann immer es benötigt wird.

Ruhrgas Aktiengesellschaft Essen

Wir sorgen für Erdgas Ruhrgas

A Government minister, a banker and three industrialists are interviewed by Frank Carmichael, Karl Grün, financial correspondent for *Neue Zürcher Zeitung* and *Wirtschaftswoche*, and Horst Kerlikowsky

Long range he's optimistic

Dr Otto Count Lambsdorff, the Economics Minister, believes that the slower rate of growth indicated for this year is temporary, and that the long-range outlook gives both the veteran and the debonair businessman reason for optimism.

"Social recognition of the independent businessman has once more improved," Count Lambsdorff said in reply to questions. "For the moment, you find once more that it is fun to be an entrepreneur". Count Lambsdorff himself has never been an independent businessman, although he did reach the top rung of management.

He studied and later practised law, then worked in the credit industry, becoming a general representative of a private bank and a member of the board of an insurance company.

Count Lambsdorff is politically a liberal. Joining the Free Democratic Party in 1951, immediately after passing his first state examination. In 1957 he was elected to Parliament, eventually becoming the party's parliamentary spokesman on economic affairs.

Chancellor Helmut Schmidt appointed him Minister of Economics in October 1977, to succeed fellow-liberal Herr Hans Friderichs, who resigned to become head of the Dresden Bank after the terrorist murder of its former chief, Jürgen Ponto.

West Germany is particularly sensitive to international interest because it depends to such a great degree on imports of raw materials, while its manufacturing industry is oriented to an unusual degree to exporting—“every fourth job in the Federal Republic depends on exporting. But by international standards, our economic situation must be seen as stable”, Count Lambsdorff said. He



Dr Otto Count Lambsdorff

continues to improve themselves will have excellent opportunities.

"The new techniques allow us to see at the same time a considerable potential on innovation that will create new working places.

And he said that the global need for investment to solve our energy, raw material and environmental problems opens new chances for growth and for employment."

Count Lambsdorff does not agree with the lobby that fears measures to protect the environment will hinder business growth. "I am opposed to abrupt prohibitions and restrictions in this area that would give business too little time to change over and to adapt", the minister said. "That would provoke growth loss and beyond that, undesired

structural changes. But in the long run, protection of the environment which requires new technologies and investment, will contribute to economic growth, as well as to improvement of our exporting position."

Count Lambsdorff expects "no revolutionary development of technical progress", during this decade, but does expect structural adjustments resulting from modernization and an increasing application of microelectronic data processing and communication techniques.

He said: "Modernization of Industry does not endanger working places, but makes them more secure. Of course, there will be structural changes that will affect the job market. This applies particularly to the less qualified workers. But well-trained workers who

Gentle voice

At first sight, Herr Kühnen's appearance makes you wonder whether this 68-year-old partner in one of the oldest and most influential German private banks, Sch. Oppenheimer Jr. & Cie of Cologne, might in the end be accompanied by heel-banging, shouting. Hearing his gentle Rhineish voice causes you to feel the virtues of sound, hard-working and almost—almost—of a healthy country life (for the past one and a half decades he has been a keen amateur farmer in Bavaria) thoughts of that sort are immediately dispersed.

Here is a *privatbankier* in the true tradition, a man whose advice is sought for obviously good reasons—by wealthy families such as the Thyssens, the Klöckners, the Wolffs or the Agnells as well as indirectly by an impressive clientele of small people, who choose to include the insurance interests of the group (Colonia, Viersenhering, Germany's second largest) and the mortgage bank Rheinbund in the distinguished Sal Oppenheimer's empire.

German banks are not at present enjoying their most profitable period. On the contrary, the publication of the 1979 results has increased a wide awareness of squeezed profits.

This puzzles outside observers, especially those who are accustomed to the fact that in Britain, for instance, the profitability of banks tends to increase in accordance with higher interest rates. In Germany, though, higher interest rates have resulted in lower bank profits. Explaining this, Herr Kühnen, who is also president of the Bundesverband deutscher Banken (German bankers' association), does

not stop at such observations as that intense competition for borrowers on one hand and extremely interest rates, conscious depositors on the other, result occasionally in serious funding problems and over-extended balance sheets. Nor does he emphasize the underpinning factor that sharp increases in the level of interest rates have sustained huge devaluations of security values. He indirectly sees all that as leaving management with room for improvement when he dryly remarks: "Not always has the marching of maturities been consistent".

However, the writer may be over. After the cruel first quarter of 1980, improvements are visible. At least lower interest rates at the long end of the market give, according to Herr Kühnen, cause for hope that the present crisis may be written down further this year. A peculiarity of German accounting practice does not allow for a revaluation of assets which have been depreciated before. The eventual formation of hidden reserves in those broadly undated bank balance sheets seems to be a certainty therefore.

The lesson to be drawn from smaller margins for the banking community at large: Banks, according to Herr Kühnen, should be more discerning in the terms they offer to their borrowers. "You have to say 'no' more often". Technical processes within the banks need modernizing and rationalizing and—

touching one of the most delicate issues in a country where people have so far enjoyed the benefits of intense competition among banks by offering a wide range of services for very low fees—"banks should become more cost-conscious in regard to the services they render".

'Chef to 6,000

He is 63, the owner and the boss. He has 6,000 employees working for him in three German factories. Professor Rolf Rodenstock is in undisputed control of Optische Werke G. Rodenstock in Munich, now run by the third generation of his family.

Yet, each employee still has direct access to him, should there be a personal problem or any complaint about unfair treatment from a superior.

He regularly tells his employees about the development of the company, its prospects and its problems. The latest message in the Rodenstock house magazine *Gute Sicht* (Good View) is: "With our cost levels, we cannot hold out any longer against most of our foreign competitors with our usual methods and our old product range."

There is a solution, in sight, at least in the view of Professor Rodenstock: "Our only chance is to develop new products which are still more suitable to the market's taste. Quality must be best as well as our service. And our methods must be more systematic".

Translated into practical means, idea: like these lead in over new styles, colours and designs for his spectacles and sunglasses. It also implies attacking the market on a worldwide basis, through subsidiaries wherever possible.

Forty per cent of the group's DM 460m turnover last year came from abroad, while production is almost completely concentrated in Germany. Furthermore, Rodenstock aims to set aside 10 per cent of the total turnover for research and development in precision optics, optoelectronics, equipment and processing machines for optical workshops.

Professor Rodenstock would like to see the methods which have apparently helped his own firm to success in the wrong party, the Social Democrats (SPD)."

TO START UP
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YOU DON'T NEED to be told that the country since Rhine and Ruhr (at whose confluence lies the world's largest inland port) is the economic heart of the Federal Republic of Germany.

Did you realize that it also embraces the major concentration of customers and suppliers in the whole EC? That 140 million people of 6 nations live within a radius of 500 km (300 miles)?

That it generates over 70% of the electric energy and 44% of the industrial output in the Common Market? Not to mention the abundant industrial sites, a skilled and experienced work force, infrastructure and public services second to none?

And newcomers are still heartily welcome wherever space and labour are available. Indeed some regions provide public financing aid that may cut your capital costs by as much as 30%.

TO GOOD TO BE TRUE
Not really. Success is not cheap and not simple here either in the real world; but it's being achieved every day. The prices are tempting.

THAT'S WHERE WF OF GW come in (WF is the short title of the Economic Development Corporation for North Rhine-Westphalia, a government-financed organization serving private business.)

What we do is eliminate avoidable obstacles to sound plans, many of which we help formulate. Our experts give wise advice on locations and sites; work out planning documents and decision aids; establish contacts with national authorities; help conclude negotiations; lay out the opportunities for project-linked public financing assistance.

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